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Recent Spatial Trends in Post-Fordist Cape Town

By

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the requirements for the degree of Masters in
Sociology in the Department of Sociology**

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Plagiarism Declaration

This work has not been previously submitted in whole, or part, for the award of any degree. It is my own work. Each significant contribution to, and quotes from people has been attributed, and has been cited and referenced.



Emma Smith
September 2006

University of Cape Town

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Abstract

This study examines the extent to which Cape Town is developing a post-Fordist spatial order characterised by the development of edge cities and the excluded ghetto. The study determines the extent to which office developments are becoming decentralised, and the growth and demand that these suburban nodes are experiencing independent of the central city. The evidence used to test this theory is that of the development of office nodes. Specifically, data on actual office sizes are used to determine growth, and market rental rates and vacancy levels are used to determine the demand for office space in the office nodes. The spatial phenomena under discussion include edge cities, the excluded ghetto, and transformed waterfronts. The effect of decentralisation on the development of these phenomena and the extent in which they are 'totalising' are central to the study.

The data show that although decentralisation is persisting, the Cape Town Central Business District (CBD) has experienced a turn around and decentralisation is slowing down. This is evidenced in the data as demand for office space and growth in office developments have increased for both the CBD and the decentralised nodes. The growth and increased demand taking place in the latter office nodes suggests that these nodes are developing into edge cities. Spatially, it is the office nodes situated to the north of the CBD that are experiencing increases in office development, with little or no office development taking place in the south-east. The implications of the development of edge cities in the north is that of increased spatial polarisation as the job market is located further away from the impoverished south-east. This leads to the exclusion of those living in the ghetto from the rest of society. Thus, the development of edge cities has direct bearing on spatial polarisation in the city.

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Chapter 1

1. Introduction

Very little in this world remains the same, least of which the spatial order of cities. Cities are constantly changing and evolving due to the many forces that influence their development. These forces include macro-social forces such as global economic restructuring processes, patterns of migration and the changing role of the public sector. This study considers the development of spatial phenomena that result from the spatial processes that are influenced by some of the macro-social forces taking place in the world.

Marcuse and Van Kempen (2000) explain that the movement of middle class populations from central cities to the suburbs is a common phenomenon in most cities. Attractive residential areas and the prospect of economic opportunities, including relocation for work, are often motivators for suburbanisation. This movement is not class-neutral, however, as it is usually the higher income households that choose to move to the suburbs. The suburban part of the city is usually made up of “middle class” family households with adequate incomes which enable home ownership. The authors argue that there is a persistent and increasing trend amongst suburban environments to become “edge cities” or “totalizing suburbs” where all business activities; centres for employment; and commercial, cultural and residential facilities are provided in one area.

At the other extreme is the abandoned city made up of the excluded ghetto. This spatial phenomenon is defined by Marcuse (1997: 313) as “a spatially concentrated area in which race is combined with class, where residents’ activities are excluded from the economic life of the surrounding society which does not profit significantly from its existence, and where they are treated as inferior by the dominant society.” Unlike suburban residents, due to economic circumstances, those inhabitants of the excluded ghetto have no choice in where they can live. The excluded ghetto, however, has its own economy which is largely informal, and its own structure and organisation.

The location of edge cities on the periphery, or in the decentralised nodes of the city, is said to contribute to the creation of ghettos of exclusion. This is because edge cities draw jobs out of cities to the suburbs thus increasing distances between the affluent and poor parts of the city. The situation is further exacerbated by the increasing transport costs and travel times that inhabitants of the excluded ghetto have to endure.

Recent global shifts in the production process that is from the manufacturing sector to the service sector have had major implications on residential and employment patterns in the city. These spatial patterns are influenced by a decrease in unskilled, semi-skilled and manual jobs in the manufacturing sector and an increase in demand for highly-skilled, professional and managerial jobs in the service sector, as a result of this shift in the production process. In many respects these changes have strengthened the spatial divisions between rich and poor and have reinforced spatial polarisation in the city.

The purpose of this thesis is to study recent spatial trends in development in the City of Cape Town. Quantitative data on office nodes is used to determine the extent to which decentralisation is taking place and the spatial phenomena associated with these trends. The data are expected to show the extent of edge city growth i.e. those office nodes that are popular and that have experienced growth and development, and those office nodes that are unpopular and that have experienced little or no growth or office development. The impact of decentralisation where businesses move their offices from the CBD to the suburban nodes is very important in the study. Post-Fordist implications will be considered as reasons behind the spatial changes taking place in the city i.e. competition between the decentralised nodes and the CBD for business. The data are also expected to show the development of post-Fordist spatial features i.e. edge cities and the excluded ghetto.

Central to the study is a contribution to the debate on post-Fordist spatial structures. It is the aim of the study to identify those office nodes that are or

are not growing, as well as the levels of demand for office space in each node. Growth or decline in available office space will be measured in square metres. Demand for offices will be determined by looking at market rental rates and vacancy levels of office space. These data will, in turn, assist in determining the extent in which decentralisation and the emergence of edge cities or the excluded ghetto are taking place.

Furthermore, the study aims to determine the continuance of the spatial trends identified by Turok (2001) in his study on persistent polarisation in post-Apartheid Cape Town. Turok (2001) made use of a number of data sources in his study. In particular he used property data from the WESGRO database and data provided from the Cape Metropolitan Housing Task Team, a local government initiative. His study focused on the housing market and how income, social class and market forces influenced the supply and demand of property. The conclusions that he drew from the data were that there was a lack of development from private investors in the south-east, and very strong private investment to the north, south and central parts of the City of Cape Town. The south-east did, however, experience higher levels of public investment compared to the rest of the city.

This study offers an in-depth and detailed analysis of spatial trends using the actual size of office space in square metres, and market rental rates and vacancy levels briefly utilised by Turok (2001) to measure investment in the City of Cape Town. Moreover, it offers a more recent and up-to-date version of the spatial development of the City of Cape Town and aims to complete the gap between the end of Turok's (2001) study and present day. Thus, the research question posed is "What is the spatial pattern of office development in Cape Town? Can these spatial developments be conceptualised in terms of edge cities and the excluded ghetto?"

The data used in this study was kindly provided by the Rode's Report and the South African Property Owners Association (SAPOA).

It is notable that this thesis was part of a larger study designed to examine the social patterns and causes of urban inequality in Johannesburg and Cape Town. The study was of particular importance as it aimed to provide a deeper understanding of urban transformation in global cities, with a special focus on social polarization that is taking place in the global South. To this end, this thesis focuses on the current spatial order and changes in spatial patterns with regard to office development in post-Fordist Cape Town.

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Chapter 2

2. Review of the Literature

The literature discusses many spatial trends that impact on the spatial form of the city. The spatial trends of importance in this study, however, include: decentralization, the movement of office nodes from the CBD to the northern parts of the city, and the decline in the manufacturing sector followed closely by an increase in the service sector.

This chapter will begin with a summary of the post-Fordist spatial order, followed by a section on the spatial development of the City of Cape Town.

2.1 The post-Fordist spatial order

Many theorists of economic, political and social cultural forces believe that the changes experienced by modern society can be attributed to, amongst others, the economic movement from Fordism to post-Fordism (Beauregard & Haila, 1997 and Marcuse & Van Kempen, 2000). In this section, the concepts of 'Fordism' and 'post-Fordism' are explained and their relevance to this study provided.

The Fordist period was said to have taken place from the end of the Second World War up until the oil crisis of the mid-1970s. According to Jessop (2006), Fordism involved the mass production of standardized products which were produced on an assembly line by semi-skilled labour (blue-collar working class). Fordist society was seen as an urban-industrial, "middle mass", wage earning society with close relations to the functions of the Keynesian welfare state where the state managed the wage relation and labour market policies and guided demand. This assisted in the balance between supply and demand. From a spatial point of view, it can be argued that the Fordist period was also responsible for the rise in urban sprawl and suburban development. This can be seen as a direct outcome of the

increase in car and home ownership among the increasingly affluent working and middle classes at that time.

Following on from Fordism, post-Fordism was said to have taken place when the strong trade unions, factory-based, production-line manufacture with high wages and full-time permanent jobs associated with Fordism were replaced with deindustrialisation, 'flexible' employment practices (such as casual, temporary or informal employment, home-working and sub-contracting), weak trade unions and lower wages. Post-Fordism was therefore directly associated with deindustrialisation. Flexible production (Beall *et al.*, 2002 and Thompson, 2006) dramatically reduced the demand for unskilled labour which resulted in an increase in unemployment. This was because many unskilled/semi-skilled manual workers had previously been employed in the manufacturing sector. The service sector, however, experienced an expansion in service sector employment. Thus, deindustrialisation also changed the demand in labour. Beauregard and Haila (1997) believe that post-Fordist capitalism was responsible for the fragmentation and partitioning of the city which occurs mostly along race and class lines.

With regard to changes in spatial phenomena, Marcuse (1997) identifies two, amongst others, new spatial developments, both which are associated with post-Fordism and are relevant to this study. These new spatial developments combine old and well-known processes with elements that are substantially contemporary i.e. the development of the excluded ghetto and edge city or the totalizing suburb. The excluded ghetto is defined as a spatially concentrated and involuntarily separated area where inhabitants are treated as an inferior part of society (Marcuse & Van Kempen, 2000: 19). The phrase 'edge cities' was popularised by Garreau (1991), and is the same spatial phenomenon as 'totalizing suburbs' as defined by Marcuse (1997). Marcuse (1997) defines the totalizing suburb as a "spatially concentrated development taking place outside of the central city and inner suburbs in which all business activities are brought together with residentially exclusionary enclaves in a form that permits diversity without including either the top or the bottom of the social and economic hierarchy".

Although the above new types of spatial patterns may differ, they do have two major characteristics in common: walling or an exclusionary trend and a totalizing trend. Seemingly, spatial concentrations are increasingly becoming more and more cut off from their surroundings, symbolically or physically (e.g. railway tracks, highways or buildings), and are combining residential, business, social and cultural areas into one area. Spatial separation in the case of the excluded ghetto means being walled out with increased totalizing internalization taking place. And, the combination of the totalizing trend and the exclusionary trend of the suburbs into what are often called edge cities now have given rise to the new phenomenon of the totalizing suburb (Marcuse, 1997).

Edge cities are, by definition, a new spatial phenomenon and are associated with post-Fordist spatial structures. This is because of the suburban concentration of corporate services and their dispersal from the business districts of central cities and re-agglomeration in the periphery. Today, edge cities continue to reinforce the racial and class partitioning of metropolitan areas (Beall *et al.*, 2002: 30). Edge cities are referred to by Beauregard & Haila (1997: 329) as “those nodes of office activities, retail stores, apartment buildings found in metropolitan areas that compete with former CBDs for office tenants, restaurant patrons and shoppers.” Having benefited from decentralization, edge cities are concentrated in the suburbs with high-order economic functions that were once confined to the CBD node. They represent a new spatial form for the contemporary city, that of a multinodal rather than monocentric spatial pattern. It is provided that the relocation of business services from central cities to suburban office nodes is pivotal to the idea of the edge city (*ibid.*). Businesses are tempted to relocate to the suburbs because of improved communication technology, access to major transport links, new trends in business organization and reduced distances between work and home for employees. Edge cities compete with CBDs for business and this, in turn, undermines the dominance of the CBD.

Edge cities are considered to be one of the most frequently mentioned spatial phenomena of the contemporary city. Beauregard & Haila (1997: 329) add

that in the United States, households have been relocating from central cities to adjacent communities since the 19th century. Although most pronounced in the United States, the edge city is also a dominant form in Canada, Japan, South Africa and Europe. Examples of cities that have this spatial component include: Phoenix, Dallas, Los Angeles, Washington DC, Toronto, Helsinki, Zurich, and Johannesburg. Thus edge cities are not only a US phenomenon, but are experienced all over the world.

There is an ongoing debate around the self-sufficiency of the edge city. Beauregard and Haila (1997) argue that some authors support the notion that although edge cities compete with the once-central cities for dominance in the region, they do offer specialised functions that are different from those offered in the CBD. Many edge cities have a manufacturing base which CBD's do not. On the other hand, studies have concluded that some edge cities are neither self-sufficient nor economically autonomous from the central cities.

The shift from Fordist to post-Fordist methods of production has accentuated polarisation in the city. Consequently, a new urban poverty has emerged and the development of the excluded ghetto has been the physical result. Today, a new ghetto, that is the excluded ghetto, exists where race is combined with class in an area that is essentially barred from society. Wilson (1987) substitutes the term underclass for that of ghetto poor which suggests the link between race and class. According to Marcuse (1989), the excluded ghetto is the extreme form of the abandoned city that has developed as a result of economic, political and, in the case of the United States (and South Africa), racial disparities within a city. It is the place where the desperately poor, permanently unemployed, homeless, and racially and socially discriminated against by the remainder of society live. Moreover, it is that part of the city that suffers from a lack of public services, high crime rate and overpopulation. Those who live in excluded ghettos are deemed inferior and are generally dominated and exploited by those who live outside the ghetto boundary.

Although patterns of discrimination have a strong historical antecedent and have existed for a long time, the spatial concentrations of those who are class or race disadvantaged have changed. Marcuse (1997) suggests that there is a trend taking place to totalise the environment of the ghetto. He states that although ambivalence around how to confront the issue of the excluded ghetto currently exists, the predominant perception is that those who live in the ghetto should work and play in the ghetto, hence public policy appears to support the increase in separation and the walling of the ghetto from mainstream society. The totalizing of the excluded ghetto is not unlike that of the edge city, where a total environment within an area is created that provides recreation, entertainment, diversified shopping and employment for its inhabitants. The totalizing of spatial phenomena, however, perpetuates unemployment by preventing those inhabitants of the excluded ghetto from accessing jobs and other services in the edge cities. Furthermore, edge cities draw jobs out of the central cities. This has an adverse effect on those living in the excluded ghetto as spatial distances between the edge city and the excluded ghetto are increased.

However, this is not the spatial pattern found in all cities. Not all cities experience unemployment, poverty and urban decay in the inner city, as is the case in the United States and Britain. In Australia the situation is reversed. Here, due to varying local conditions and the intervention of the welfare state, ghettos are situated in the suburbs. Intense planning policy enforced the development of spatial phenomena on the outskirts of the city. The government also intervened in the housing market in cities such as Sydney, Adelaide, Melbourne, Brisbane and Perth, and due to urban restructuring provided for the habitation of the wealthy in the inner areas, and selectively dispersed the poor to the suburbs (Badcock, 1997). The tough stance taken by the Australian authorities has led to a debate on whether government policies have sharpened spatial polarisation or not. Studies by various Australian sociologists show that social and spatial polarisation is growing. Many observers have also remarked on the economic and social costs of locating the public rental housing for the poor to the outer fringes and suburbs of the city.

Another post-Fordist spatial feature is that of transformed waterfronts. Due to industrial decentralisation taking place in most cities together with the technological advances (i.e. containerization and less demand for cruise ship berths) associated with post-Fordism, many ports ended up neglected, obsolete and abandoned. Some of these deteriorating and vacant spaces have since been transformed into thriving, productive waterfront areas and examples include San Francisco's Fisherman's Wharf in the 1980s and the Cape Town V&A Waterfront in the 1990s. These areas comprise upscale housing, public areas, and entertainment, retail and tourism facilities. Added advantages of these areas include their close proximity to transport networks and the CBD (Beauregard & Haila, 1997: 329).

2.2 The spatial development of the City of Cape Town

The City of Cape Town is situated at the south-western tip of the Republic of South Africa. It is a city that is affectionately referred to as the 'mother city' as it was the first site of permanent European settlement in South Africa. In 2000, the City of Cape Town had a total population of approximately 3 million, which was racially composed of 45,8% Coloured, 31,2% Black, 21,5% White, and 1,5% Asian/Indian (City of Cape Town, 2002).

Socially and politically, race separation had always existed to a greater or lesser degree in Cape Town. A change in political power in 1948 resulted in the National Party governing the country. The Nationalists proceeded to enforce racial domination through the oppressive system of Apartheid. Through the promulgation and implementation of racist policies, black South Africans were subjected to discrimination and subordination. The development of the motor car and newly built freeways in the 1960s accounted for urban sprawl that took place at that time to the north, south and west of the CBD. In the 1980s and 1990s urban sprawl worsened due to rapid urbanisation and the relaxation of influx control laws (Dewar, 2004). In 1994, a new democratic dispensation took control of the country and all discriminatory legislation was abolished. In-migration, mostly comprised of low-income blacks from the Eastern Cape, to Cape Town was a direct

consequence of the political changes taking place. Local authorities were forced to fast track the provision of low cost housing in the south-east of the CBD and to consolidate and formalize shack development. In turn, the city increased in population and in size.

In line with the world wide trends of globalization, the city experienced an acceleration of the “tertiarisation” of the economy (Wilkinson, 2004: 221). The significance of this phenomenon was a decline in the manufacturing sector and an expansion of the financial services, insurance and real estate (FIRE) and other service sectors. In turn, this led to the reconfiguration of the labour market. Consequences of these changes in the local economy include growth in the informalisation and casualisation of many economic activities and practices. This resulted in an increase in unemployment as many of those employed in the manufacturing sector were either unskilled or semi-skilled with little opportunity for employment in the service sector.

The study conducted by Turok and Watson (2001) identified a widening of the gap between rich and poor in Cape Town. They posited that the new spatial developments taking place were exacerbating this gap and reinforcing spatial divisions. In their study on the challenges facing Cape Town they claimed that deindustrialisation had exacerbated income inequalities by improving the state of the wealthier predominantly white northern suburbs and excluding the poorer, south-eastern townships from the formal economy. Consequently, they saw this as a case of the ‘rich getting richer’ and the ‘poor getting poorer’.

In the past the development in the City of Cape Town took on a more centralised physical form with the Cape Town CBD being the dominant node. The CBD was the centre for all office and retail activities in the City of Cape Town. However, over time, due to greater accessibility and increased popularity, decentralized office nodes developed along the N1 and N2 highways and the railways (Turok and Watson, 2001). In particular, concentrations grew to form lesser nodes in Rondebosch, Claremont, Wynberg and Bellville which were relatively wealthy white suburbs. Some of

these nodes have since developed into major nodes and now compete with the CBD for business. Furthermore, according to the City of Cape Town (2002) minor clusters of office and retail development have taken place in less developed areas in the Cape Flats, these include Athlone and Mitchell's Plain town centres. The areas to the south-east of the CBD were developed as a result of racially based residential segregation during the post-war period and apartheid era and were where the poorer, predominantly black townships existed. These were built as dormitory suburbs with inferior housing, infrastructure and facilities and can be regarded as excluded ghettos (Turok and Watson, 2001).

Figures 1 and 2 show the development of the decentralised nodes between 1980 and 2005. Bellville is the largest decentralised node. It is not known why Bellville is not indicated on the map showing nodal developments in 1980 as it is expected that at that time Bellville did have many office developments.



Figure 1: Cape Town Office Supply – 1980
(Source: SA Property Review, 2005)

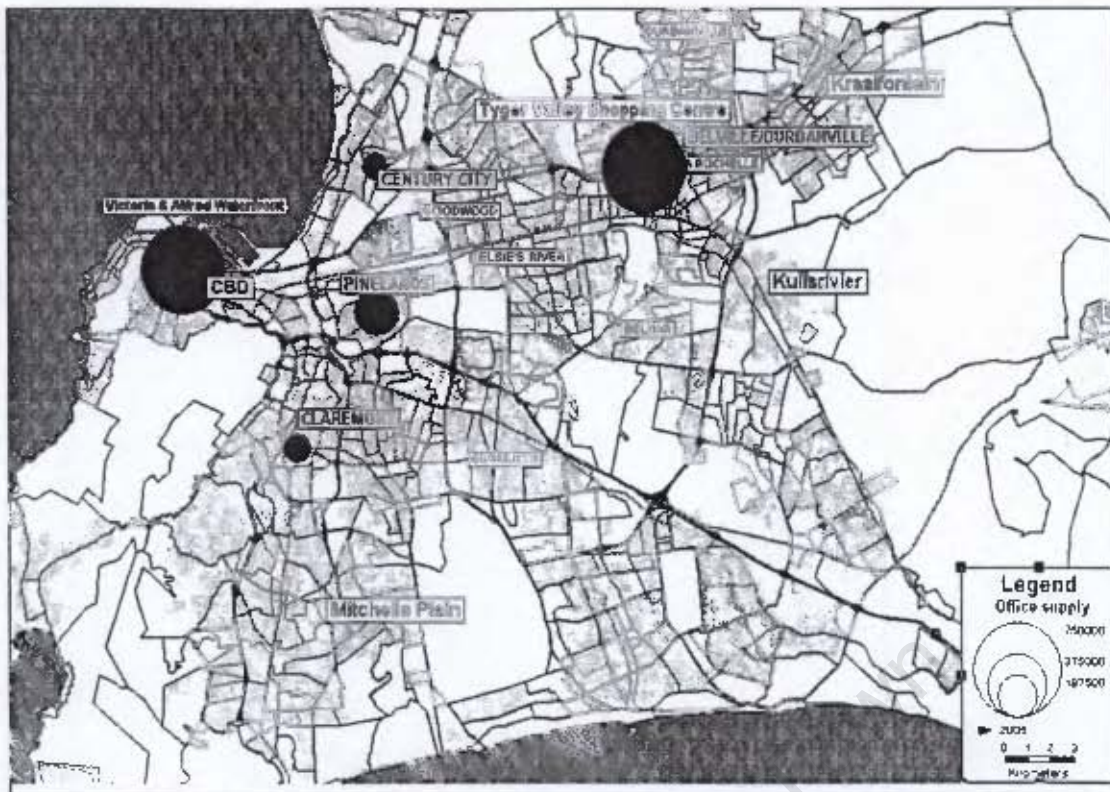


Figure 2: Cape Town Office Supply – 2005
(Source: SA Property Review, 2005)

Figure 3, below, shows where investment is taking place in the City of Cape Town and where growth nodes exist. The size of the circles show to what extent investment is taking place and the colour of the circles determines what type of investment is taking place. The blue circles show that private investment dominates public investment, and the red circles indicate the opposite. The black dots indicate the number of private investments in non-residential property. Turok and Watson (2001) and Turok (2001) state that Figure 2.3 shows that private investment is clearly evident and strong in the office nodes in the northern suburbs, Waterfront and CBD, showing that Cape Town is becoming increasingly multinodal. The opposite is taking place in the south-east of the city. On the Cape Flats private investment has been relatively low. Public investment, however, has taken place in Athlone, the Airport and in Mitchell's Plain. The blue arrows show the movement of private investment to the northern suburbs. The movement to the northern decentralised nodes indicates that those nodes are in demand and are popular to private investors. Here, investors are confident and positive about the economical prospects of investing in these areas.

Due to the lack of investment in the south-east it is concluded that private investors are less confident and discouraged from investing in those areas. This leaves only public investment open to taking place. Turok (2001) identifies a number of reasons why the private sector is reluctant to invest in the south-east, and these include: concerns about employee safety and the security of premises, a small local economic base dominated by informal enterprises, long distances for senior staff to travel, the threat of land invasions by squatters seeking housing, operational difficulties and poor infrastructure. Financial institutions are also hesitant to invest in the area as they believe the area to have poor commercial prospects given the risks involved. The situation is also not improved by a weak public sector that is seemingly overwhelmed and unable to deliver on basic services (e.g. housing and infrastructure). Therefore, the gap between the poor townships and the affluent suburbs appears to be widening which is contributing to the development of spatial polarisation.

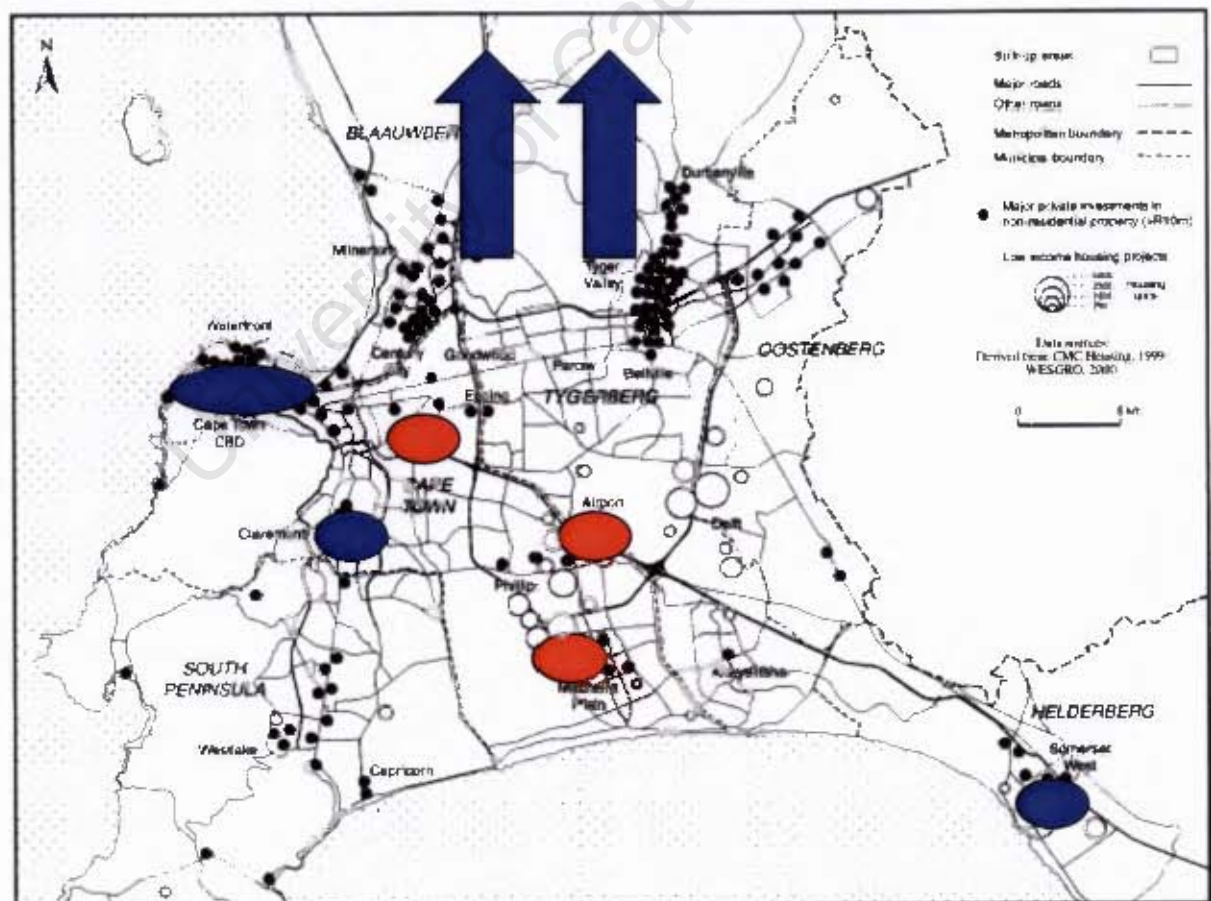


Figure 3: Map showing private investment in non-residential property

The Cape Town CBD has not always experienced growth. Before 2000, it came under pressure from a number of countervailing forces which led to a state of degeneration. Forces pushing businesses to move out of the Cape Town CBD included high levels of crime and lower levels of cleaning and maintenance. Dewar (2004) adds that the establishment of shopping centres in the decentralized nodes had massive adverse impacts on business in the CBD. These shopping malls were constructed close to good freeway access, offered adequate parking, clean facilities, and provided excellent security. Some of these advantages were not provided in the CBD.

Other push forces included hikes in property taxes, the targeting of the lower income market by businesses in the CBD, and the rise in capitalization rates. Pull factors to the decentralized nodes included higher levels of cleanliness, maintenance and aesthetic appeal, improved security, shelter and guaranteed parking.

Figure 4 shows the location of major decentralized shopping centres in relation to the Cape Town CBD. The map shows that the Century City, Cape Gate Mall and Tyger Valley shopping centres are located to the north of the CBD and Cavendish Square, and Blue Route Mall are located in the south. Arguably, apart from the Waterfront, all the other shopping centres are located outside of the CBD. Of significance, the only shopping centre established on the Cape Flats, the poorer low-income area located to the south-east of the CBD, was that of Westgate Mall located in Mitchell's Plain.

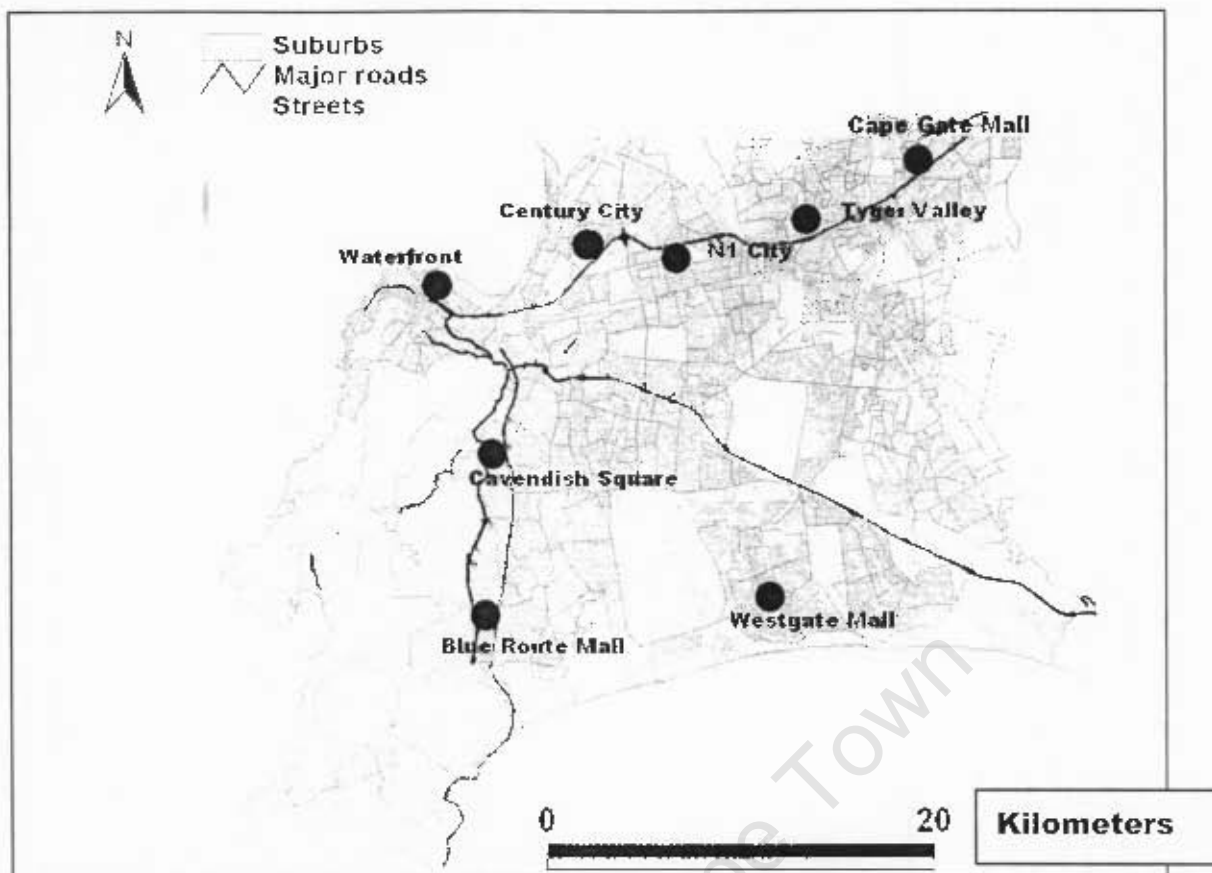


Figure 4: Map showing the location of major decentralized shopping centres in the City of Cape Town
(Source: Author's own production, 2006)

Dewar (2004: 97) discussed other factors that compromised the status of the Cape Town CBD as a business environment. These included the lack of a residential area in the CBD coupled with a poorly represented hotel function. He provided other reasons for the downward spiral of the CBD in terms of various forms of blight which impacted to a lesser or greater degree on the attractiveness of the CBD. These included physical blight which was manifested in the general dilapidation of buildings and the presence of litter and pollution. Frictional blight which was pronounced in the form of motor car owners disrespecting the rules of the road and inhibiting vehicular movement by double-parking, parking in loading bays or in prohibited zones. Economic blight was manifested by falling land values, reduced profits and the decentralization of the retail sector. Added to the list were restrictive regulations which inhibited redevelopment in the CBD as many of the buildings held historical significance and were protected by the National Heritage Resources Act, 25 of 1999. Moreover, from a technological

standpoint, buildings were old and required expensive upgrading and rewiring in order to accommodate the requirements for modern information technology. He conceded that "it is indubitable that throughout the 1990s decentralisation of offices and retailing has been the dominant trend in metropolitan Cape Town."

By the end of the 1990s the Cape Town CBD was not in a good economic and physical state. Many businesses had moved their offices out of the CBD and into the decentralized nodes. It was obvious that the CBD was in desperate need of a successful urban revitalization programme. Between 1997 and 1999, meetings on how to address the regress of the city centre took place between interested businesspeople, representatives of the Cape Town City Council and the South African Property Owners Association (SAPOA). The principle aim was to determine a course of action modelled on the success of the "Times Square Business Improvement District" in New York. In June 1999, the Cape Town Partnership (CTP), a public-private redevelopment agency was established as the means by which to resuscitate the Cape Town CBD (Pirie, 2006).

The CTP was institutionalized as a non-profit 'Section 21 Company' with its board representing the City of Cape Town, the Cape Metropolitan Council, SAPOA, the Cape Chamber of Commerce and Industry, the South African Black Technical and Allied Careers organization (SABTACO), Business Against Crime, the Cape Heritage Trust, the Cape Town Tourism Bureau, and the city improvement associations (Dewar, 2004: 98). The CTP was funded by the implementation of the Central City Improvement District (CCID) where ratepayers were required to pay additional levies on central city property taxes. Thus, funding was neighbourhood and ratepayer based. The CTP used the levies to enhance the security of businesses, workers and visitors and to create an environment free of litter and graffiti. In 2001, almost three-quarters of the CCID's R14.6m budget was devoted to security (49%) and cleansing (22.5%). According to Pirie (2006), a survey conducted in early 2002, revealed considerably improved opinions about levels of crime, cleanliness and safety in the CBD. Positive results from the survey, coupled

with increased office rental rates and decreased office vacancy levels were testimony to early successes of the CCID in regenerating urban development and improving business confidence in the CBD.

The positive results of the work of the CTP and its implementation of the CCID are seen today. Business flight has slowed and, together with the establishment of the residential area (see section 4.6.1), and the return of higher-order businesses to the CBD, it can be ascertained that urban revitalization in the Cape Town CBD has been a success.

Another, spatial planning initiative for the revitalization of the Cape Town CBD is that of the, yet to be implemented, Metropolitan Spatial Development Framework (MSDF). This study was conducted by the City of Cape Town in 2000 where four principle spatial trends taking place in the City of Cape Town were identified. These included: the growing divide between the rich and poor areas; the shift from a highly centralised city to a multi-nodal city, the continued growth of low-density, fragmented and car-oriented residential areas; and increasingly complex, multi-directional and multi-temporal movement patterns.

Turok's (2001) study on development trends in the City of Cape Town also identified deep social and spatial divisions taking place. He regarded Cape Town in the late 1990s as that of a polarized city with inequalities existing between the affluent north and the impoverished south-east. He accounted these spatial divisions to institutional practices and market forces. Furthermore, he considered that the functioning of the private and public sector had reinforced these divisions. He identified particular obstacles to development as being a lack of service provision of social infrastructure in the south-east which he felt exacerbated the poor economic situation and hindered development in the area.

Critical to Turok's (2001) study was the spatial mismatch between where people lived and where people worked. Contrary to international trends, the poor had to commute unusually large distances to get to their places of

employment. This situation was exacerbated by the fact that most of the poor did not own personal vehicles and relied on public transport, a legacy carried over from the Apartheid era. Meanwhile, the upper and middle classes who did own personal vehicles resided much closer to where they worked. This social pattern had detrimental implications on the spatial structure of the city as it worsened economic imbalances that were present and sustained social polarisation.

Further, the data provided four principle trends affecting the spatial development of the city: decentralisation, deconcentration, northern drift and differentiation. Decentralisation was the trend that mostly concerned this study. Turok (2001) explained that decentralisation was not a new phenomenon and that it was a process that usually accompanied urban growth. It was seen as normal for people to move to the suburbs when central locations become increasingly congested and over populated. He inferred that, in the City of Cape Town, decentralisation was taking place at an accelerated rate. Turok (2001: 2358) used office rental rates and vacancy rates as indicators of decentralisation and surmised that the decentralised nodes had experienced tremendous growth in office development at the expense of the Cape Town CBD. Office vacancy levels increased and market rental rates decreased in the CBD. The opposite had taken place in the decentralised office nodes.

Chapter 3

3. Methodology

3.1 Introduction

Turok (2001), makes reference to four types of spatial trends. Two of these types will be covered in this paper: decentralization and northern drift. In order to determine the extent to which these spatial trends are taking place in the City of Cape Town, the size (expressed in m^2), market rental rates (expressed as R/m^2) and vacancy levels (expressed as a percentage) of the office nodes are examined. The former values will determine the extent to which growth in the office nodes is taking place in terms of square metres, and the latter two values will determine demand of the office nodes in terms of actual cost of space and availability of office space.

It is important to note that the market rental rates that are referred to in the study are nominal rental rates and have not been deflated with the Bureau for Economic Research's Building Cost Index (BER BCI) to arrive at real rentals (Rode's Report, 2006, 35). Thus, they do not account for inflation as the rental rates are for making comparisons of the office nodes only and real rentals are not required.

3.2 Data Sources

Two major providers of office property data were sourced: the South African Property Owners Association (SAPOA) and the Rode's Report. Together, these two important organizations provided most of the data required in the study to show spatial trends in the office market in the City of Cape Town. Information gathered from these two data sources were also expected to shed some light on what forces might be driving these trends. The data capturing process began with determining what information from these two sources was useful and how best to illustrate the resultant trends.

The South African Property Owners Association (SAPOA) was established in 1966 in order to bring together all the property owners involved in office property with the aim of protecting and advancing the interests of property owners and investors. It is recognized as the representative body and official voice of the office property industry as its members control about 90% of all office property in South Africa. It is controlled and driven by its members. Government holds the association in high regard and regularly consults with them on matters concerning the property industry. Publications that are available to their members include the *SA Property Review*, the *Property Register* and the *SAPOA Office Vacancy Survey* (SAPOA, 2006)

The quarterly production of the *SAPOA Office Vacancy Survey* (OVS) proved valuable as it provided an up-to-date indication of how the various office nodes were faring with regard to growth in the office nodes. Office data provided by the OVS that was used in the study included information on all grades of office space. Data was taken from the fourth quarter of each year and included:

- Total rentable area (m²) 1993 – 2005; and
- Vacant space available for renting (m²) 1993 - 2005.

It should be noted that SAPOA changed the grading process/definitions of office grades during 1998. For this reason there are no data for 1998 and the values shown for 1998 have been interpolated.

Rode & Associates are the oldest property consultants in South Africa and hold some of the most comprehensive databases of SA property indicators. Headed by Erwin Rode, this organization opened its doors 18 years ago and is a firm that specializes in real estate economics, property research and property consultancy. The firm supplies property demand forecasts as it conducts regular surveys in the office and industrial market which is made available to its members by way of the quarterly Rode's Report. The Rode's Report analyses and reports on most sectors of the property market in the major and some secondary cities in South Africa. It covers, amongst others,

trends and levels of rentals by way of property type, grade, node/township and building activity, and excludes the retail property market (Rode, 2006).

The firm makes use of the Expert Panel Method to obtain their information on market rental rates and vacancies. Every quarter, a questionnaire is sent out to all the panelists on the Rode & Associates database. The panelists included all those companies that had subscribed to the Rode's Report and who offered property services in South Africa i.e. estate agents, shopping centres and property investment and management consultants e.g. Pam Golding Properties, Nedbank Corporate, Century City Development Company and Sharemax. This mutually beneficial relationship works on a quid pro quo basis where the respondents complete the questionnaire and in return they receive a free copy of the quarterly Rode's Report. Capturing data via this method is seen as infinitely cheaper than a standard survey of actual rents and ensures that information provided is current and reasonably accurate (Johnson, 2006).

The Rode's Report also provided a quarterly update on office demand within the CBD and the decentralized nodes. Again, data was taken from the fourth quarter of each year and included:

- Pioneer and Premier/Grade A office rentals: CBD versus decentralized nodes (R/m²) 1996 - 2005;
- Market rental rates (R/m²) for all grades of office space 1993 – 2005. Note that market rental rates for Premier office space are calculated by adding one standard deviation to the mean grade A rental rate;
- Office vacancies (%) 1993 – 2005 (Premier grade 1999 – 2005 only);

In the Rode's Report, panelists were asked to supply average market rentals by grade for a specific office node. The question put to the panelists was:

"In your opinion, what is presently the achievable/market nominal gross market rental (not asking rent, not exceptional deals, not escalated contractual rents) per rentable m² excluding VAT?"

Panelists were asked to assume office lettings of 500m² (250m² for decentralized office space); with the occupation within 3 months, a lease period of 4 years and an average position within the building.

3.3 Office Building Grades

Not all office space is the same and for this reason the older, tired and less desirable offices have to be separated from the recently renovated and modern offices. It is the latter type that demands higher rental rates than the former and thus an office grading system is necessary.

Up until the latter 1990s, SAPOA used three types of office grading; Grade A, Grade B and Grade C. However, during 1998, SAPOA re-evaluated the grading system that they had used in their quarterly Office Vacancy Survey (OVS). From the first quarter of 1999, the office grades became Grade A+ (or Premier), Grade A, Grade B and Grade C (no longer surveyed as of the first quarter of 2000). Thus, Grade A was expanded to accommodate a Grade A+ (or premium) office space and a normal Grade A office space (Rode's Report 2002:1, 53). This explains why no data for Grade A+/Premier office space existed before 1999 and this fact is reflected in the graphs. It should be noted that due to the re-evaluation of the grading system, some office data are not available for 1998 as this was the year that the new grading system was implemented. For the purposes of this study Grade C is excluded. This type of office space is not generally found in Cape Town and its environs as in most cases renovations have taken place and the space has been upgraded (SA Property Review, July/August 2005).

3.3.1 Grade A+ (Premier)

It is important to note that this grade of office space is referred to by SAPOA as 'Premier', whilst the Rode's Report refers to it as 'Grade A+'. However, for the purposes of this study it shall be referred to as "Premier" office space.

This type of office space has security and maintenance services of the highest order as well as good views and locations in attractive and sought after areas. These offices are located in the Improvement Districts. Amenities, finishes and quality include fast and luxurious elevators. Included are wide stairwells and luxurious flooring and finishes permitting natural light. Lobbies and reception areas are state-of-the-art and landscaping and greening are both functional and well integrated into the overall design. A high ratio of basement parking to offices is provided. Buildings that contain this type of office space are usually less than 10 years old and are either new, well maintained or have been upgraded at intervals of around five years. These types of offices also have fully fitted kitchen/catering facilities for individual tenant use.

Technology and communication within this office grade includes full central control systems with flexible points, vertical (high rise) and horizontal communication spaces are large enough for future growth. These offices also have a CCTV system that incorporates digital camera/recording, sensors (heat/motion) as well as access control.

3.3.2 Grade A

This type of office space has high quality modern finishes, air conditioning, adequate on site parking, good quality lobby finish and is often found in the top part of a building. These buildings are generally 10 to 30 years old and have had a major upgrading after 15 years. As with premier office space, offices with grade A office space are directly involved in Improvement Districts.

This type of office space has functional design base finishes, fast elevators, spacious stairwells and a good balance between light and environmental control. It may have limited on site amenities but they are located in close proximity. Kitchen/catering facilities are available individually or on a shared basis. Buildings are surrounded by good infrastructure with good access to

freeways. Grade A office space is well supported with advanced technology and communication.

3.3.3 Grade B

This office space is found within buildings that are of any age but which have been adequately upgraded or refurbished to modern standards. Rentals are generally around the middle of the range for the area in which the building is located. It has air conditioning or good ventilation and adequate parking facilities which can be on site or off-site found mostly out in the open or under shade cloth.

Security includes “low to middle grade” guards at entry points and the use of armed response. Amenities, finishes and quality include base finishes of functional/pleasant design and compliant specifications. Elevators are comfortable and in working order. There is some or adequate natural lighting and basic landscaping and greening. Technology and communication include back up generators only to critical areas. There are adequate communication spaces for current demand.

3.4 Spatial Definitions

The office nodes under discussion in this study are the Cape Town CBD, and the decentralised nodes which include Bellville, Pinelands, Rondebosch/Newlands, Claremont, Pinelands, Waterfront and Century City.

The boundaries which make up each office node that SAPOA use for their Office Vacancy Survey are as follows:

Cape Town CBD: Includes all properties that fall into the area and fronting onto Chiappini Street to the West, Garden Suburbs to the South, Tennant Street to the East and the Harbour Freeway to the North.

Bellville: Includes all properties that fall into the area and fronting onto Mike Pienaar Road to the West, Bill Bezuidenhout to the East, East West highway to the South and Old Oak Road to the North (including Rosendal).

Pinelands: Includes all properties that fall into the area and fronting onto Settlers Way to the South including Rhodes Square, Jan Smuts to the North and East and Old Mill Road to the West including the Pinelands Business Park.

Claremont: Includes all properties that fall into the area and fronting onto Highwick/Pine to the South, Protea/Campground Road the North, Palmyra to the East, and the M3 to the West.

Rondebosch/Newlands: Includes all properties that fall into the area and fronting onto Protea/Campground Road to the South, Woolsack Road to the North, Campground Road to the East and the M3 to the West.

The **Waterfront** and **Century City** nodes include the area that make up the shopping centre and the surrounding space (Russell, 2006).

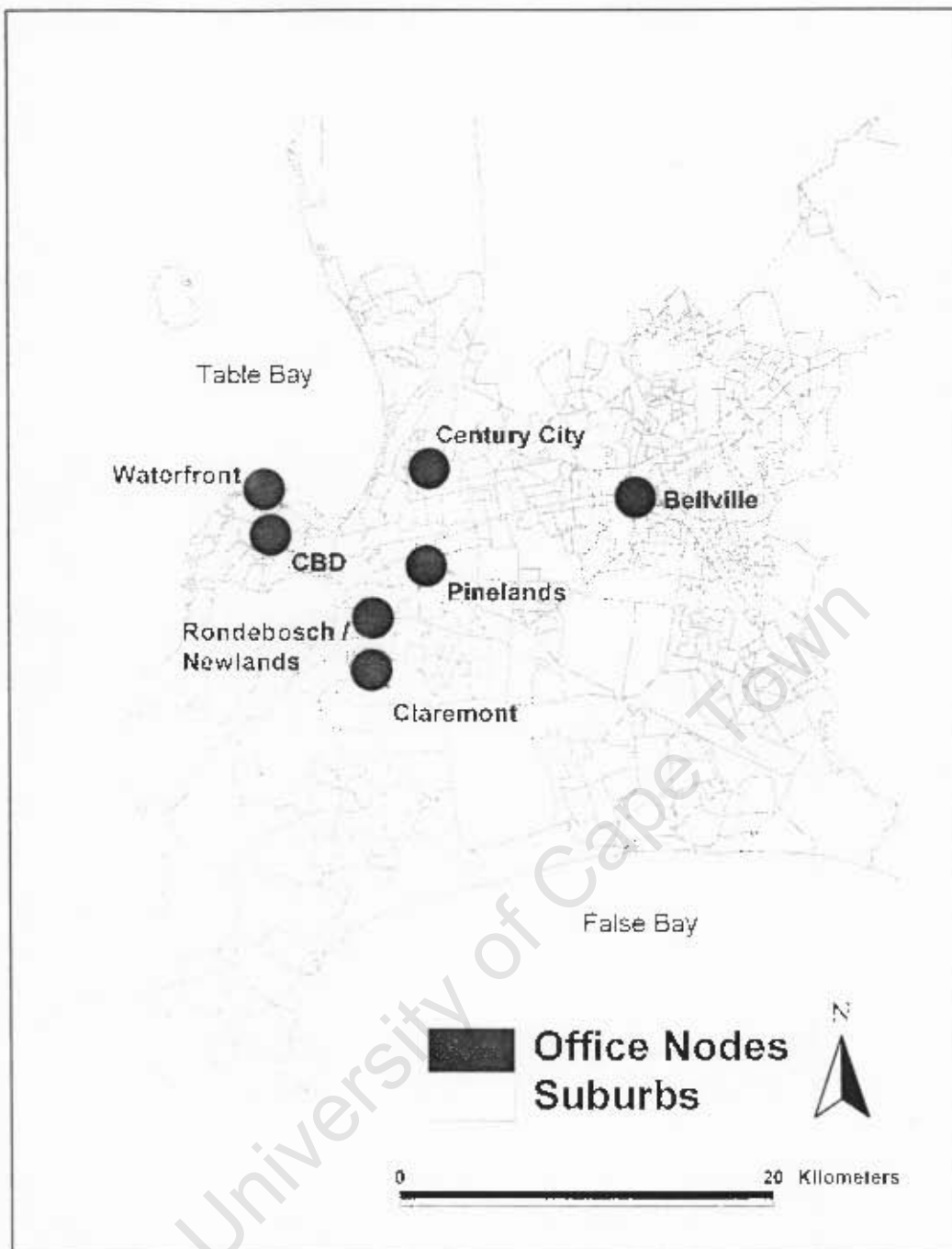


Figure 5: Map showing the location of office nodes in the City of Cape Town that were used in this study
(Source: Author's own production, 2006)

3.5 Measuring of Office Floor Areas

SAPOA's Method for Measuring Floor Areas is largely based on the work of BOMA (Building Owners and Managers Association) which was established in the United States and goes back as far as 1915. SAPOA's floor measurement guide was first worked on in 1985 and became effective in 1992 after it was first adapted to South African standards. In 1996, BOMA made a significant change to their method and included the building common areas in each tenant's rentable area. Just as the usable area is increased to support the tenant share of the common area on their floor, that figure is again increased by the tenant's proportionate share of the building's common areas. These areas include main floor entrance lobbies, storage rooms and building service rooms. This change would have been included in SAPOA's floor measurement guide (Pietersen, 2005).

A standard floor measurement guide within SAPOA was borne out of the need to ensure that all rentable office space in the Office Vacancy Survey be standardized and conform to a basic set of principles. It had also become increasingly important to precisely measure floor space as it was necessary for common and agreed upon benchmarks for the comparison of office space to be implemented. This method protected both the lessee and the lessor.

Briefly, the essence of SAPOA's Standard Method for Measuring Floor Areas was that the entire floor is measured (using laser measurement devices). Additional services that are included in the survey are stairs, dumb waiters and lifts which exclusively serve a tenant occupying offices on more than one floor. Excluded in the survey are major vertical penetrations of the floor such as stairs, lift shaft, flues, pipe shafts and vertical ducts which serve more than one floor of the building.

Chapter 4

4. Interpretation of Results

4.1 Introduction

The following section analyses the data obtained from the South African Property Owners Association (SAPOA) and the Rode's Report. This chapter approaches development within the office sector in the City of Cape Town. It is further divided up into the following sections:

- Spatial growth (m^2) and Pioneer office rental rates (R/m^2), comparing the Cape Town CBD against the decentralised nodes;
- Average market rental rates achieved for Premier or grade A office space (R/m^2), comparing the Cape Town CBD against the decentralised nodes;
- Market rental rates for all office grades (R/m^2), comparing growth between all office nodes;
- Office vacancies for all office nodes (m^2 and %), comparing growth between office nodes; and
- Growth study for each individual office node including total rentable office space of all grades (m^2), rentable office space for each individual office grade (m^2), market rental rates for all office grades (R/m^2) and office vacancies (m^2 and %) for each office node.

4.2 Office Development within the City of Cape Town

Time and space constraints did not make it possible to include data on all decentralised nodes in the City of Cape Town. Therefore, the author chose to only include those nodes provided by SAPOA and the Rode's Report. Figure 6 shows the geographical location of the office nodes used in the study. The Bellville and Century City nodes were included as they are situated in the northern suburbs and their development is an indication of whether northern drift is taking place or not. The Rondebosch/Newlands and Claremont nodes are situated in the southern suburbs, with Pinelands being

The amount of rentable office space available within a node is relevant to the study as it assists in determining whether the office node is growing in a positive or negative direction. Furthermore, the location of office nodes is important as it determines the direction in which decentralisation is or is not taking place.

The office vacancy data refers to the floor area that is available for leasing at any given time, irrespective of whether there is still a valid lease over the space. This can also be expressed as the level of occupancy of an area. The office vacancy rate of a particular node reveals valuable information with regard to the growth and demand for office space within that node. In most cases, office vacancies are expressed as a percentage of the stock in rentable square metres. (Rode's Report 2006:1, 56)

4.3 Spatial growth in the Cape Town CBD versus the decentralised office nodes

Figure 7 gives a summary of how the office nodes have grown by looking at changes in total rentable office space within each node between 1993 and 2005.

Of significance is the contrast in the decline of the Cape Town CBD against the growth of the decentralised nodes. The total amount of rentable office space in the Cape Town CBD declined from 826,200m² to 721,121m² between 1993 and 2005. During the same time period, the total rentable office space of all the decentralised nodes added together increased from 567,600m² in 1993 to 1,012,287m² in 2005. This was almost a two-fold increase and illustrates the growth in the decentralised nodes at the expense of the Cape Town CBD. Thus, while total rentable office space was decreasing in the Cape Town CBD, total rentable office space was increasing in the decentralised nodes, an indication that decentralisation did take place in the City of Cape Town between 1993 and 2005.

The data also confirms that with the movement of offices to the decentralised nodes, the suburbanisation of jobs was taking place. Furthermore, the drawing of jobs out of the CBD and into the suburbs is a characteristic of edge cities. Unfortunately, residents living in the ghetto are negatively affected by the development of edge cities. This is due to the inaccessibility of jobs in the edge cities to ghetto residents. The bigger picture, therefore, is the development of the excluded ghetto as those residing in this spatially concentrated area are excluded from the rest of society. Whilst, at the same time, the edge cities continue to grow and develop into totalizing suburbs where all business, employment, recreational and cultural facilities are available in a single area.

Closer examination of Figure 7 shows that the CBD experienced a major decline in rentable office space over one year from 882,533m² in 1999 to 705,613m² in 2000. The main reason for this drop was due to the conversion of office space into residential space at that time. However, post-2000, the losses incurred by the CBD during 1999 began to stabilise and increased slightly between 2004 and 2005. Between 1993 and 2005, the decentralised nodes experienced gradual increases in rentable office space, with Bellville growing the fastest. These data are of significance as it shows that post-2000, despite the increase in rentable office space taking place in the CBD, the decentralised nodes continued to grow. Thus, although the rate of decentralisation had slowed, it had not been halted.

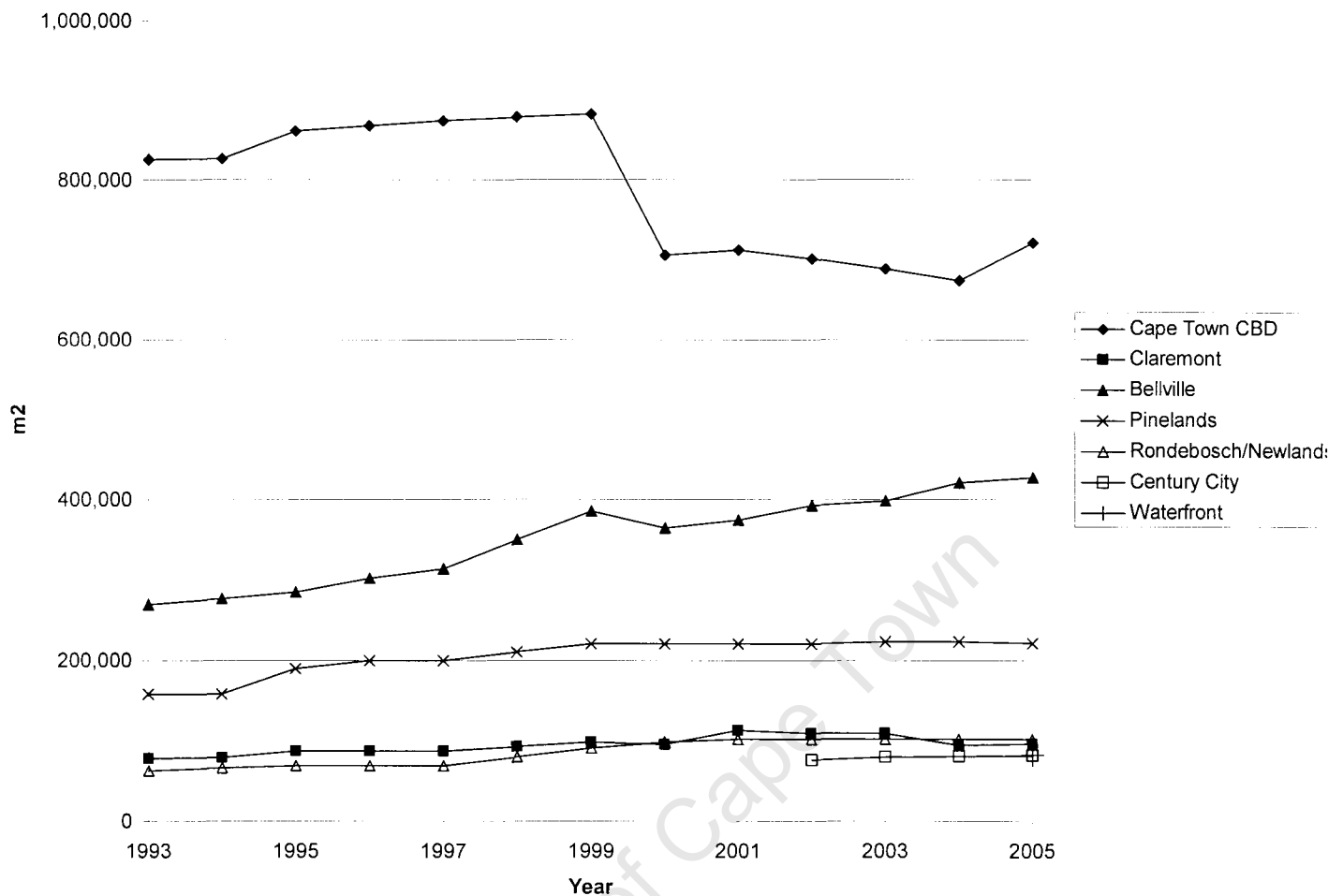


Figure 7: Total rentable office space for all grades: 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 - 2005)

4.4 The use of market rental rates to determine the extent to which decentralisation is taking place

The market rental rates are important to this study as they show levels of demand for office space for each node. This means that should the demand for office space be great then this would be represented by a high rental rate. The opposite would also hold true. Figures 8 and 9 show the rental rates of the Cape Town CBD versus those of the decentralized nodes over the period 1996 to 2005. It is important not to confuse Pioneer rental rates with premier rental rates. The former refers to the highest rental actually achieved – and could be a once-off outlier deal; hence “pioneer” is not “market”. The difference between pioneer and the highest market rentals may be used as a blunt tool to gauge the prospects for market rental growth in the short term. If

the differential is positive, it is an indication of growth prospects in the node rendering the node popular for decentralisation. If the differential is negative, it is an indication that landlords are finding it difficult to find new tenants at the going market rental rate (Rode's Report 2003:1, 34). This results in the node being unpopular for further office development.

It is clear that with regard to pioneer rental rates, the decentralized nodes achieved higher rental rates than the Cape Town CBD. This means that demand for office space in the decentralized nodes was much greater than that of office space in the CBD.

With regard to pioneer office rentals (Figure 8), the decentralized nodes continued to offer higher rental rates compared to the Cape Town CBD. In some instances e.g. 2003 the difference was quite dramatic (R35/m²), and during other years the difference was only about R10/m², as was the case in 1996. The Cape Town CBD experienced a substantial drop in the pioneer office rental rate between 2001 and 2003, but made some substantial gains between 2003 and 2004. The pioneer office rental rate within the decentralized nodes continued on an upward swing between 1996 and 2004. It was after 2004 that rental rates dipped for both the CBD and the decentralized nodes.

Again, the data confirms that the office nodes in the decentralised nodes were more popular than office space in the CBD. This is reflected in the higher pioneer rental rates experienced by the decentralised nodes which reflect greater demand in these areas. Various reasons for the increase in popularity in the decentralised nodes can be given. Some of these include, closer proximity to residential areas, less traffic congestion, and improved security, cleansing and parking facilities.

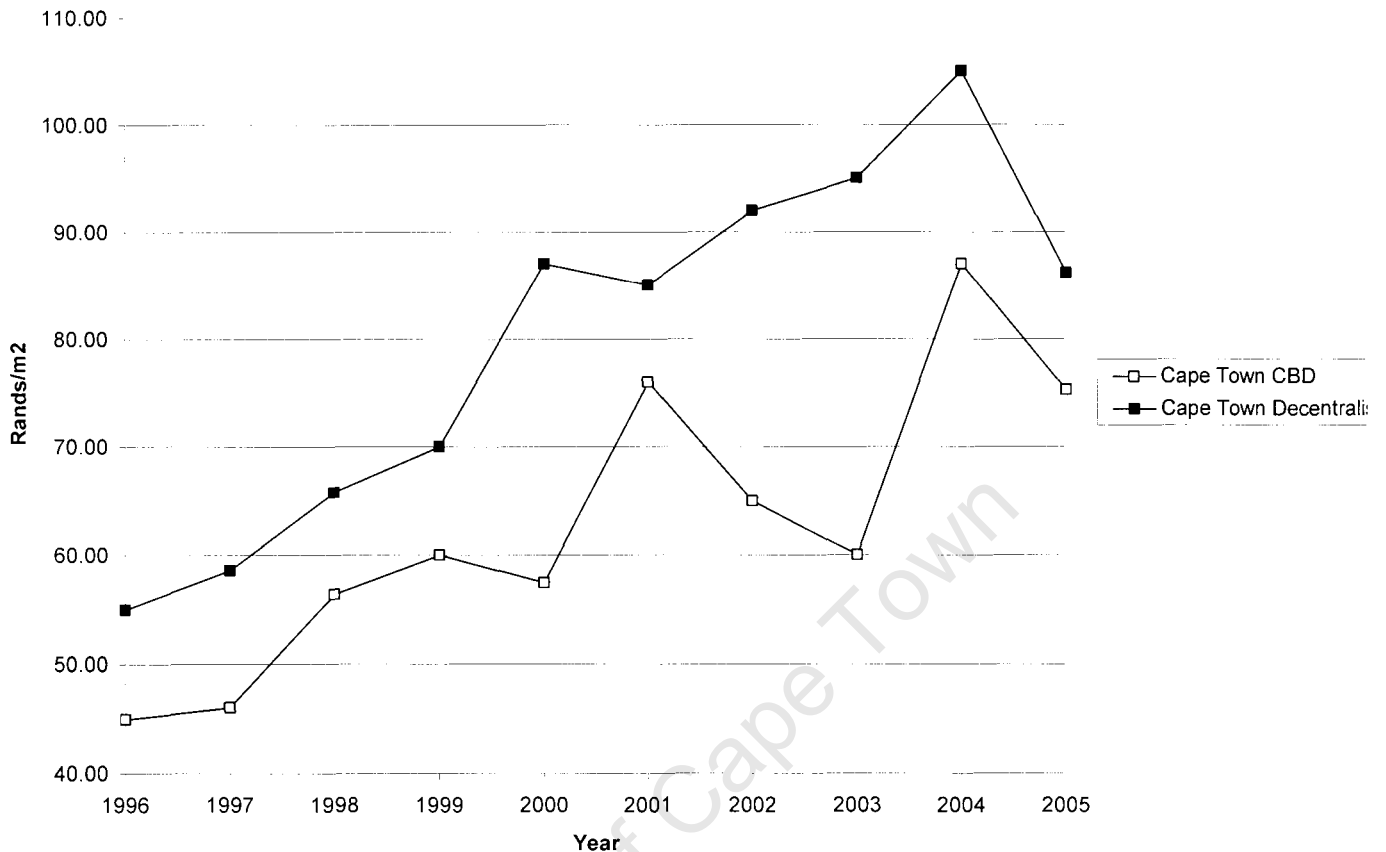


Figure 8: Pioneer office rentals: Highest achieved gross nominal market rental rates, 1996 - 2005
(Source: Rode's Report, 1996 - 2005)

However, when comparing Figure 8 to Figure 9, a slightly different result is found. Figure 9 shows that the decentralized nodes continued to outclass the Cape Town CBD with regard to the average rental rates obtained for Premier/grade A office space between 1996 and 2004. However, after 2004 the scene changed with the CBD overtaking the decentralized nodes. This is quite significant even though rentals in the CBD are only slightly higher than the decentralized nodes. The increase in the Cape Town CBD is due to increased demand as a result of increased popularity in the CBD, mainly due to the success of the Central City Improvement District. The shortage of lower grades of office space available due to residential conversions as well as the upgrading of lower grades of office space are also reasons for increases in the highest achieved market rental rate for Premier/grade A

office space in the CBD. This indicates a turn around in the CBD and a slowing down of decentralisation in the City of Cape Town.

Although the data offers a quick but crude prognosis of the short-term direction of office rentals, it does reinforce Turok's (2001) theory that decentralisation is taking place. However, despite the growth taking place in the decentralised nodes, the average market rental rates achieved in Figure 9 show the recovery of the Cape Town CBD and that a renewed business confidence is taking place. Thus, the data reinforces the spatial trends found in Figure 7, where post-2004 growth was taking place in both the CBD and the decentralised office nodes.

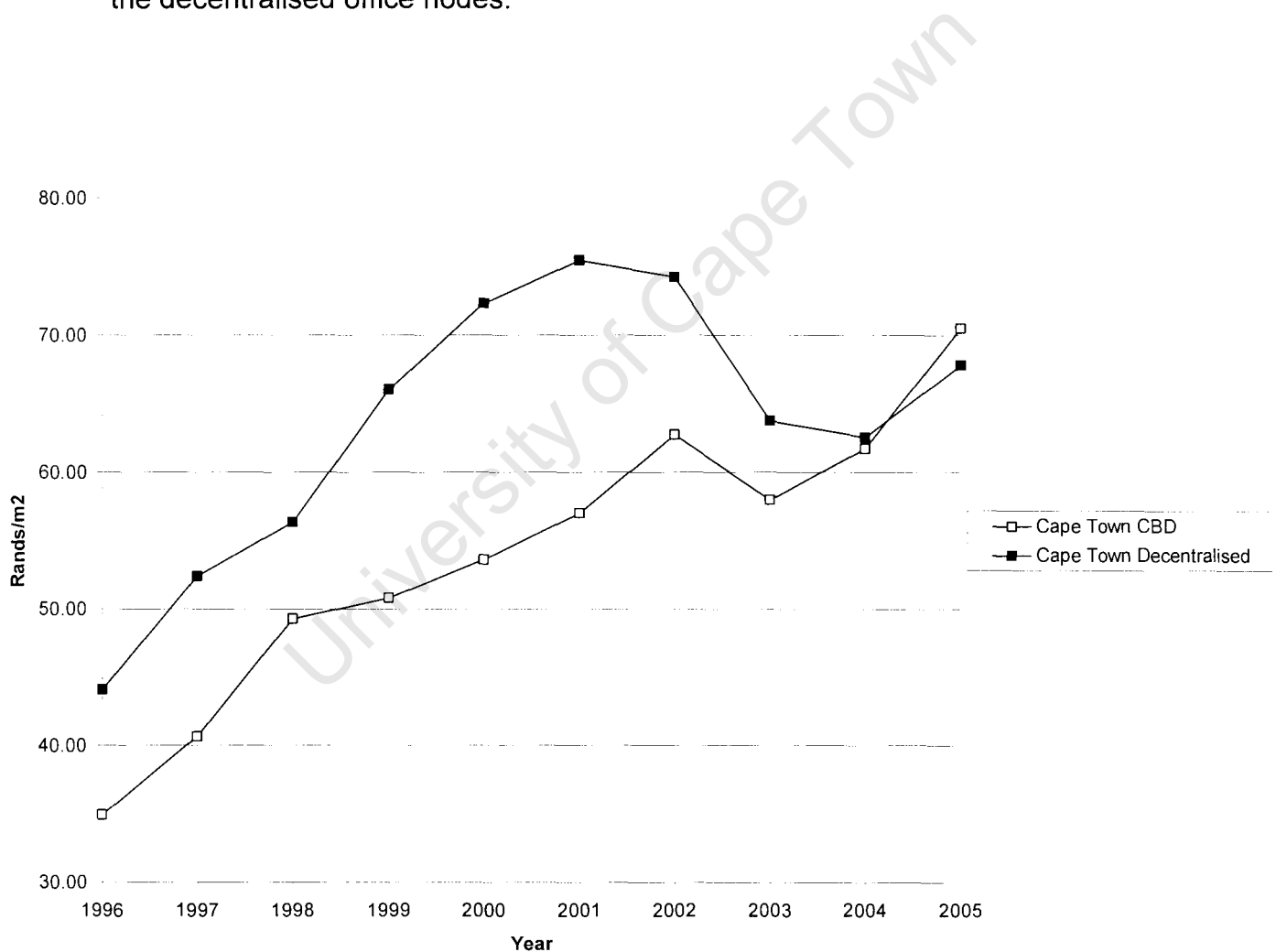


Figure 9: Average market rental rates achieved for Premier or grade A office space, 1996 - 2005
(Source: Rode's Report, 1996 - 2005)

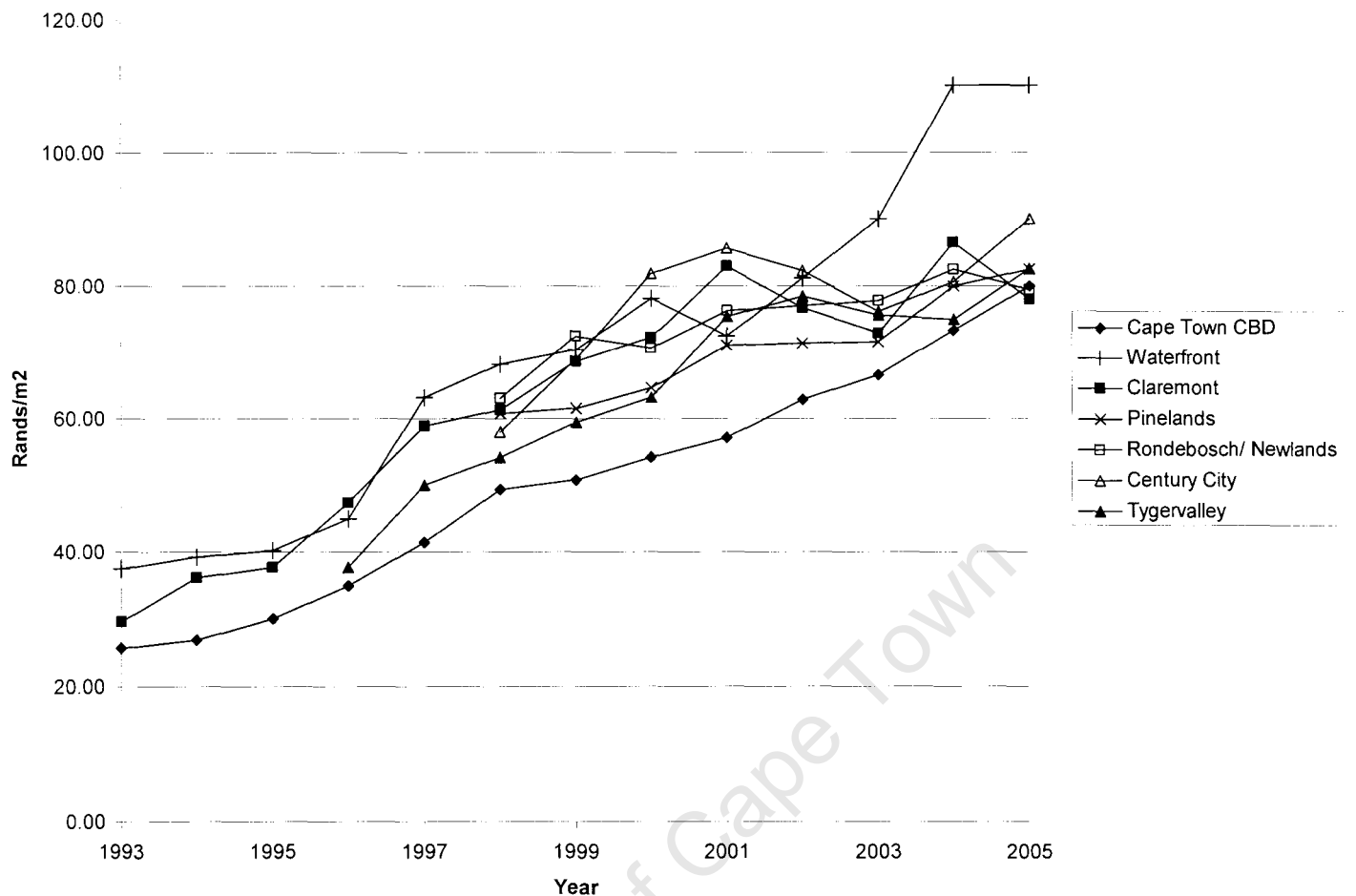


Figure 10: Market rental rates for Premier office space: 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

Figure 10 shows an increase in market rental rates for Premier office space for all nodes between 1993 and 2005, with the Waterfront node experiencing the highest market rental rate for Premier office space for most years. The Century City and Claremont nodes competed for the second place spot. Notably, the Cape Town CBD had increases in rental rates during the same time period. After 2001, the rental rates for the Cape Town CBD and the Waterfront nodes continued to increase, whereas the rental rates for the remaining decentralised nodes began to stabilise in and some cases began decreasing e.g. Claremont and Rondebosch/Newlands nodes. Thus, demand for Premier office space in all office nodes was strong and this is reflecting in the increasing market rental rates between 1993 and 2005.

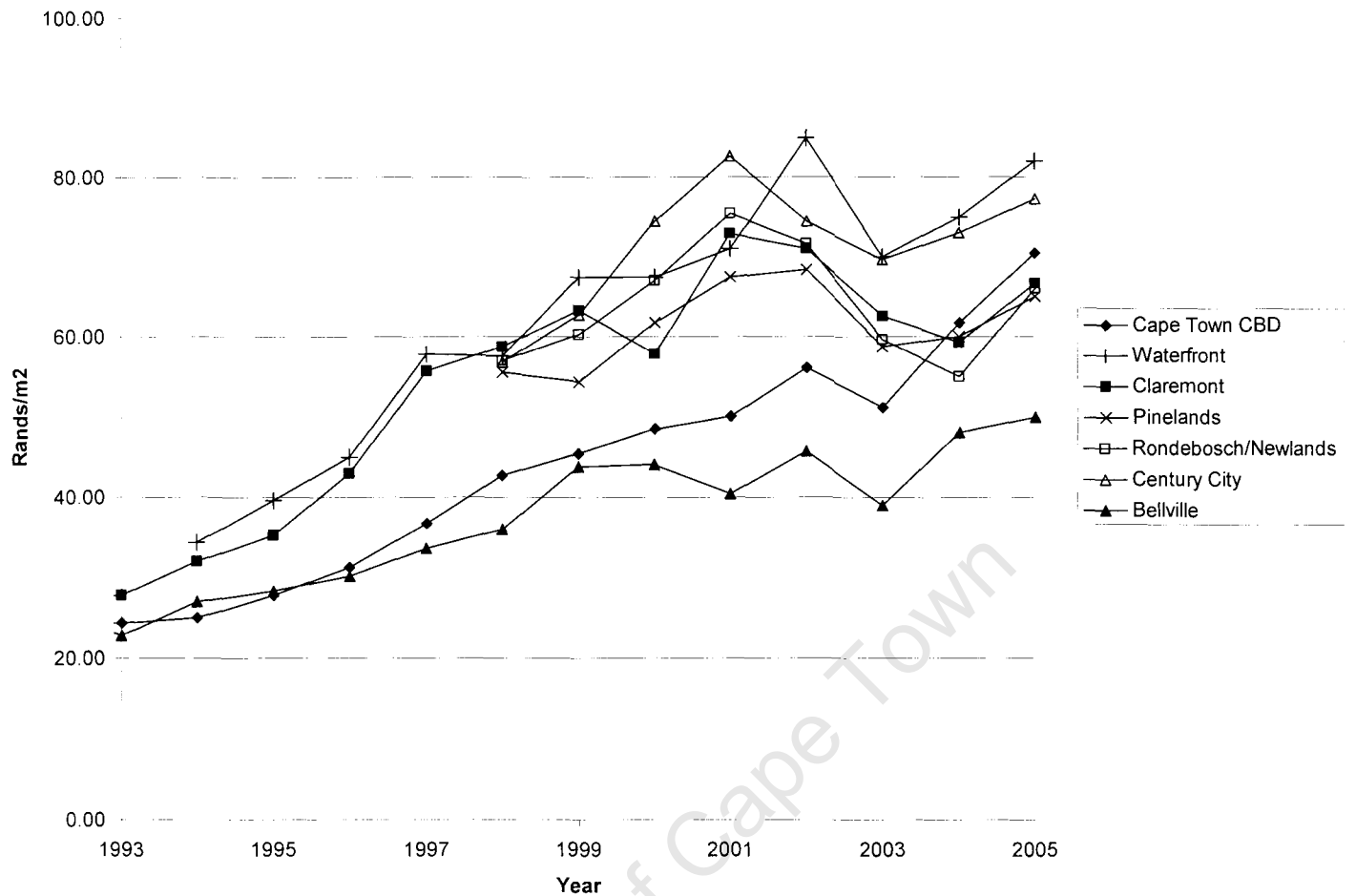


Figure 11: Market rental rates for grade A office space: 1993 – 2005
(Source: Rode's Report, 1993- 2005)

Between 1993 and 1998, all nodes experienced increases in rental rates for grade A office space (Figure 11). Most decentralized nodes experienced minor decreases in rental rates between 2000 and 2003 but experienced increases soon thereafter. Apart from Bellville, the Cape Town CBD experienced the lowest rental rates, however, between 2003 and 2005, this changed and it ended up with respectable rentals rates compared to some of the decentralized nodes.

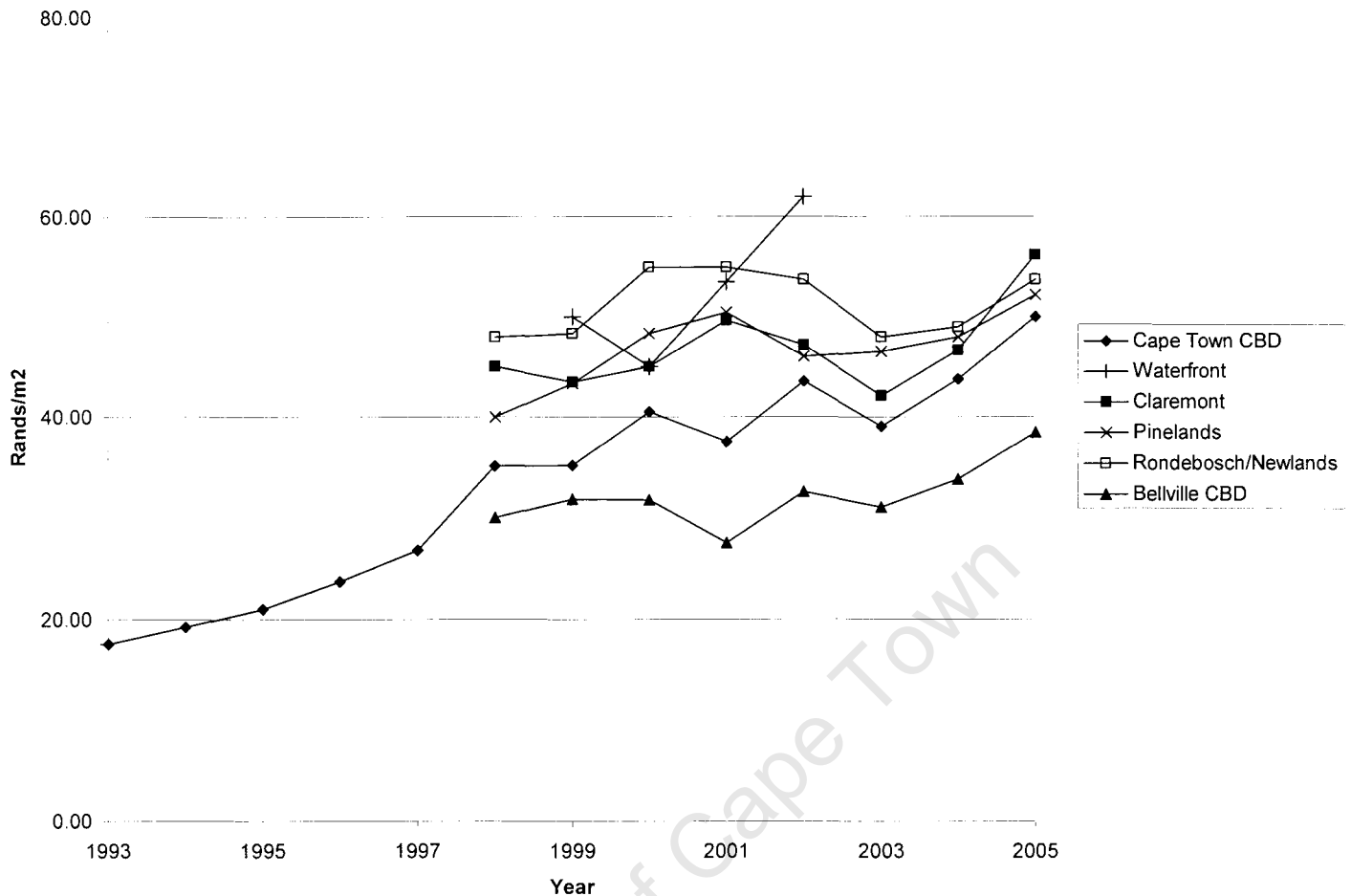


Figure 12: Market rental rates for grade B office space: 1993 - 2005
(Source: Rode's Report, 1993 - 2005)

Figure 12 shows that up until 1998 the Cape Town CBD was the only node to have grade B office space. However, from then onwards various decentralized nodes were recognised as having office space that qualified as grade B office space. The graph also shows that all nodes experienced increases in rental rates over the time period in which grade B office space existed. The Waterfront had grade B office space for a short period of time (1999 – 2002) during which it achieved the highest rental rates for grade B office space. After 2002, however, this office space was upgraded in order to achieve higher rental rates.

In sum, it is clear that all office grades for all office nodes experienced increases in market rental rates. Fundamentally, this means that demand had increased in both the CBD and decentralised nodes. Furthermore, the data indicates that even though decentralisation persists, the CBD node was

no longer declining and was expanding in terms of growth and demand. The increase in demand in the decentralised nodes indicates the possible development of edge cities in these nodes.

4.5 The use of office vacancy levels to determine the extent to which decentralisation is taking place

The following graphs compare spatial trends between the office nodes by looking at their vacancy levels. Data are presented as rentable space available (m^2) as well as in vacancy percentages. It is important to be able to study the two types of graphs concurrently as together they provide a deeper understanding of the data presented. For example, although some decentralized nodes have less total available office space compared to their nodes, this does not mean that they do not suffer from high vacancy rates.

The data suggests that the Bellville office node is developing into an edge city as it displays some of the characteristics of an edge city i.e. continued growth due to the process of decentralisation coupled with the availability of higher-order economic functions e.g. corporate administration, financial and business services (Beauregard & Haila, 1997: 331). It maintains an economic and cultural dominance in the northern part of the City of Cape Town which also substantiates the spatial process of northern drift as provided by Turok (2001).

Again, the graphs show that decentralisation has slowed down since the 1990s but that growth in the edge cities continues to take place (particularly in the Bellville node). Figure 13 shows that the Cape Town CBD experienced high vacancies in Premier office space between 1999 and 2003, but after 2003 vacancies dropped from over 6,000 m^2 to zero. The same trend occurred with the Claremont and Century City node where by 2005 no vacancies existed for Premier office space. The turn around can be attributed to an increase in demand for Premier office space within these nodes.

The Bellville node consistently achieved a zero vacancy rate between 1999 and 2005 which demonstrates the high demand for Premier office space in this node. This suggests that those nodes that experience low vacancies are expected to also experience high demand for office space. The opposite is expected to also hold true. The Pinelands node is not included as Premier office space did not exist in that node at that time.

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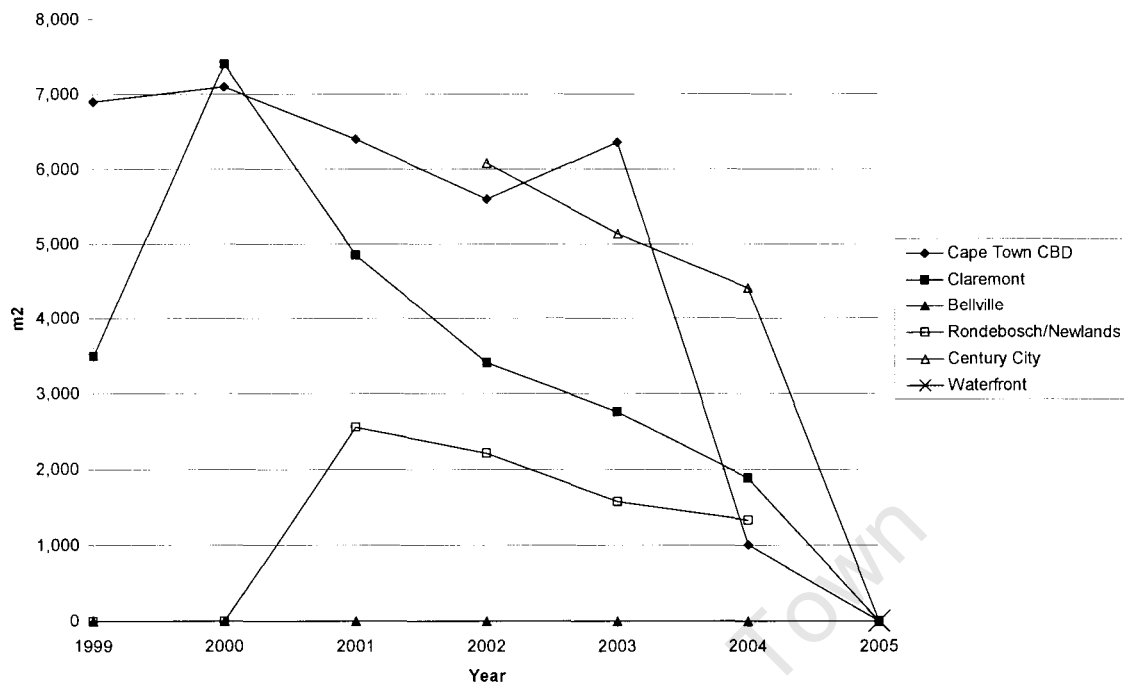


Figure 13: Total amount (m²) of Premier office space vacant: 1999 – 2005
(Source: SAPOA Office Vacancy Survey, 1999 - 2005)

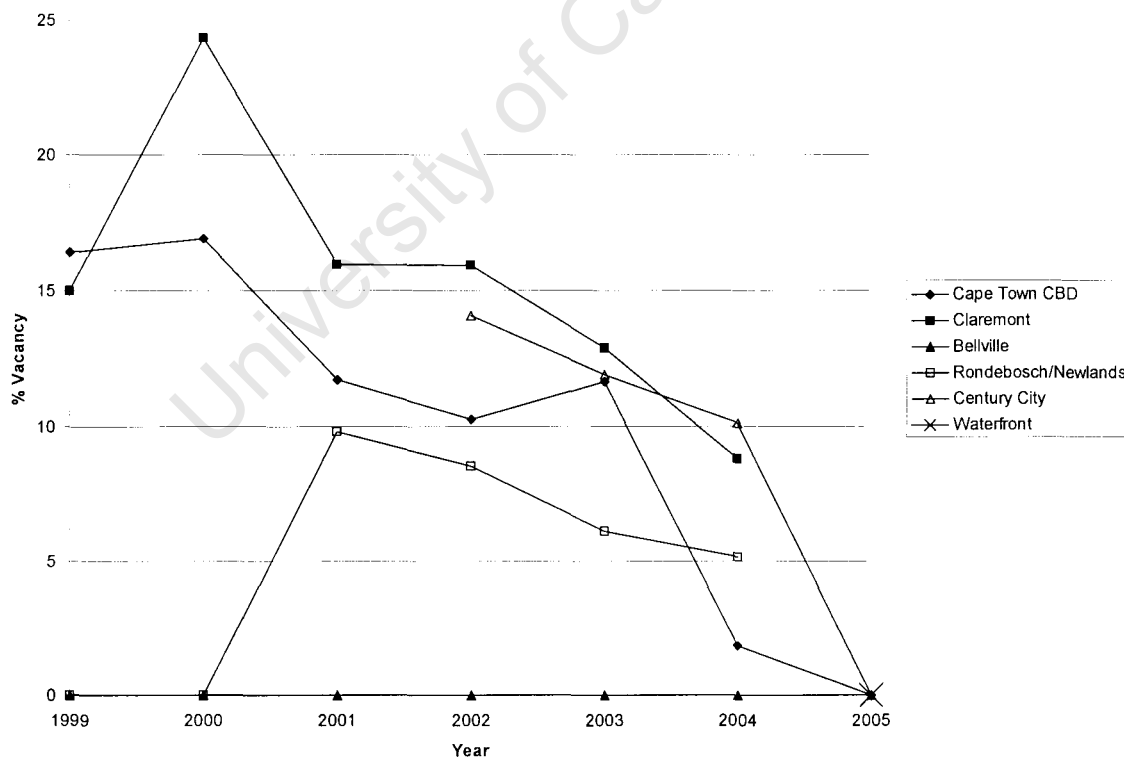


Figure 14: Vacancy (%) of Premier office space: 1999 – 2005
(Source: Rode's Report, 1999 - 2005)

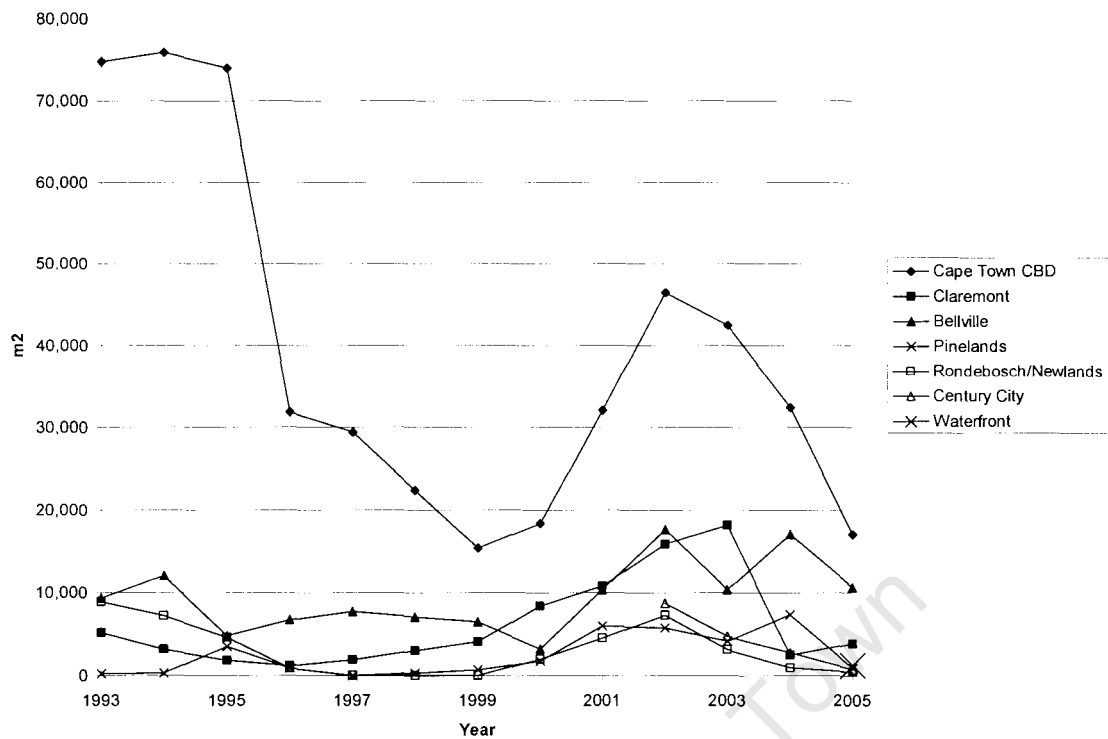


Figure 15: Total amount (m²) of grade A office space vacant: 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 - 2005)

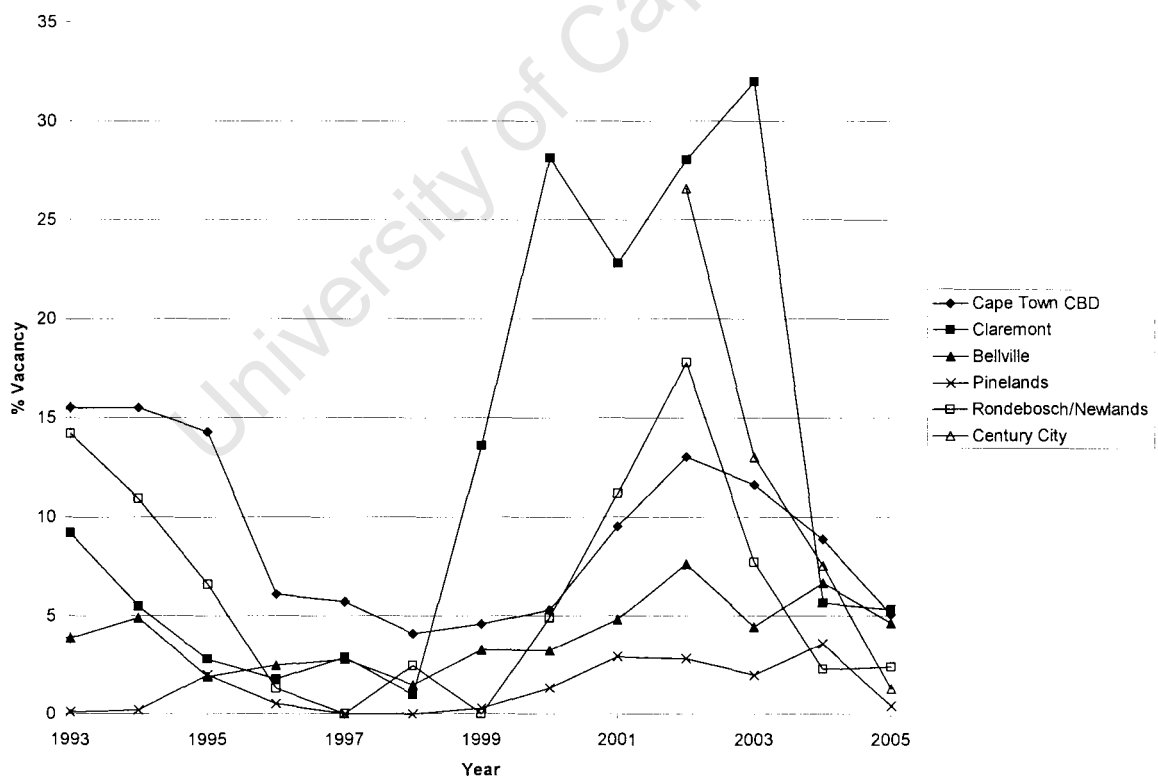


Figure 16: Vacancy (%) of grade A office space: 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

Between 1995 and 1996, the Cape Town CBD experienced a massive decline in vacancies in grade A office space i.e. a drop from 74,000m² to 31,800m² (Figure 15). However, this decrease was short lived as vacancies increased after 2000 until 2002. Thereafter, they decreased again to similar levels attained in 1999. The first decline in office vacancies can be attributed to increased confidence in the Cape Town CBD resulting from the political changes taking place in the country. The second decline in vacancies can be attributed to the success of the Central City Improvement District implemented by the Cape Town Partnership.

Although the decentralized nodes had much less available rentable grade A office space than the Cape Town CBD, they too suffered from high vacancy rates up until 2002/3. Claremont appeared to fare the worst as it started off in 1991 with very high vacancy rates which then dipped to their lowest in 1998 before increasing dramatically to over 30% in 2003. The latter increase in vacancies can be attributed to an oversupply of grade A office space in the Claremont node. The other nodes appeared to also be on a similar course to that of the Claremont although they did not do as badly.

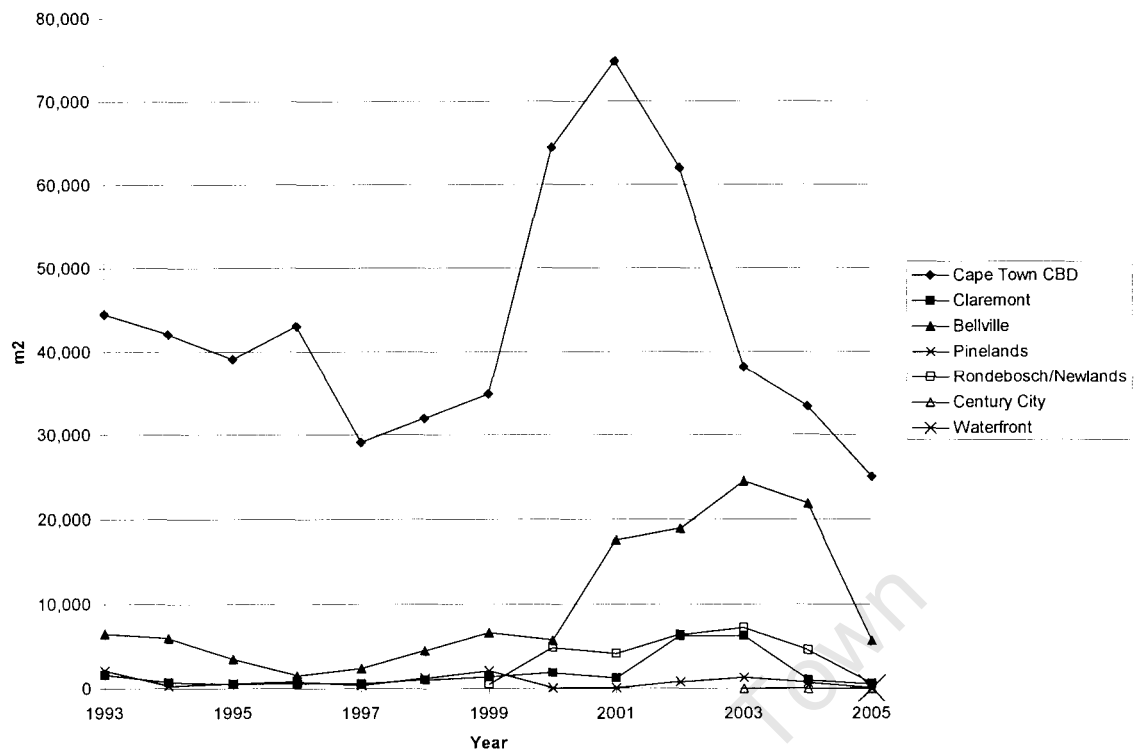


Figure 17: Total amount (m²) of grade B office space vacant: 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 - 2005)

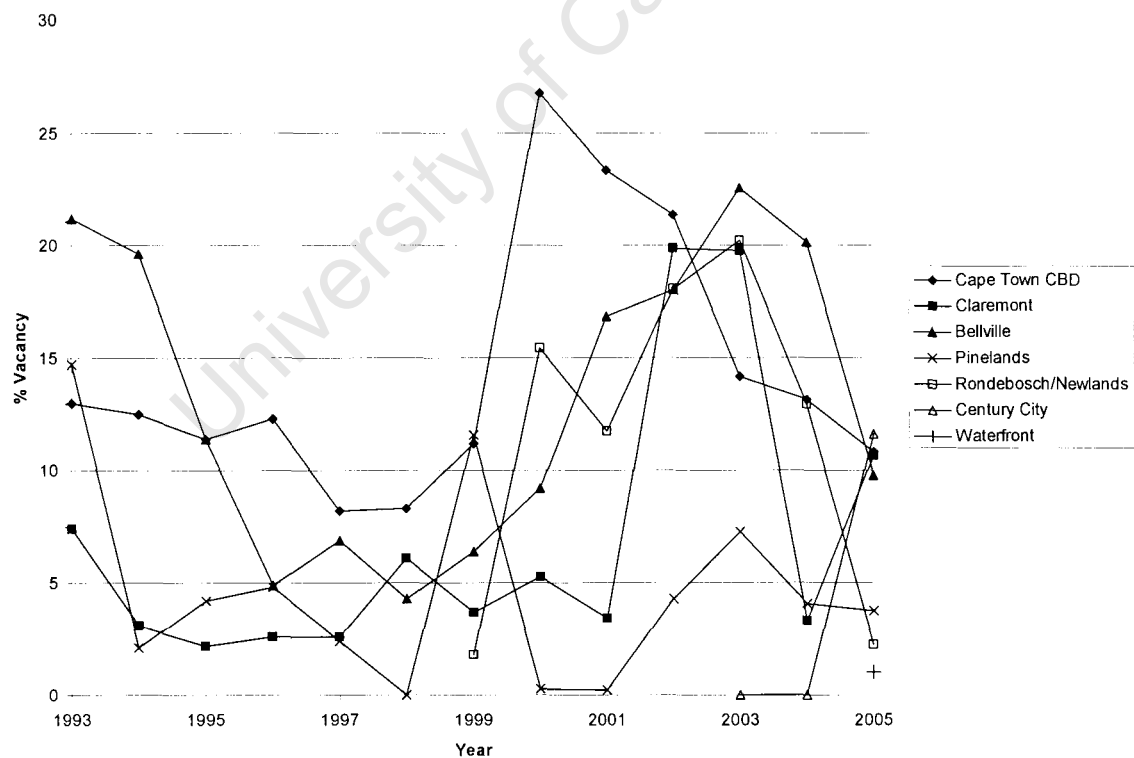


Figure 18: Vacancy (%) of grade B office space: 1990 – 2005
(Source: Rode's Report, 1990 - 2005)

Figures 17 and 18 show an overview of the trends of grade B office space between 1990 and 2005. Again, the Cape Town CBD had the highest amount of grade B office space, followed by Bellville. This is hardly surprising as the Cape Town CBD was the first node to be developed in the City of Cape Town and it thus makes sense that this node should have the largest amount of grade B office space available. After all, grade B office space contains the oldest buildings by definition.

Between 2000 and 2005, the availability of grade B office space halved in the CBD. This is due to the upgrading of old office stock as a result of increased demand and improved confidence in the CBD. Grade B office space was also rapidly being converted into residential space.

The period between 1995 and 1999 appeared to be good years for business confidence and growth in the decentralized nodes as office vacancies were at their lowest during this time period. After 1999, owing to an oversupply of office space as well as pessimistic attitudes of investors, vacancy rates in the decentralised nodes increased again. This trend did not last long as from 2003 onwards vacancy rates decreased again in the decentralized nodes.

This decrease is attributed to increased demand for grade B office space as well as renewed economic confidence in the decentralized nodes. Furthermore, it is speculated that the reason for increased popularity for grade B office space post-2003 in the decentralised nodes was due to the availability of cheaper and possibly larger office sizes compared to the CBD.

4.6 Recent spatial trends in the City of Cape Town: the growth of the individual office nodes

An individual interpretation of the growth of each office node is provided below:

4.6.1 Cape Town CBD

Andrew Boraine, Chief Executive of the Cape Town Partnership (CTP), stated that Cape Town has 1,669,741m² of grades A and B office property stock, of which 710,991m² is in the Cape Town CBD. Furthermore, he stated that the central city economy had been consolidated over the past five years with the traditional sectors such as finance and business support services retained. He explained that local economy had been diversifying through investment in information and communication technologies, creative and cultural industries, and tourism services. The CTP felt strongly about retaining and promoting the historic and unique character of the central city. (SAMCO 2006/7:78) Tasso Evangelinos supported his CEO and stated that there had been an increase in specialised manufacturing within the CBD and that the creative and cultural industry was considerable and expanding (Evangelinos, 2006).

In the past, businesses relocated to the suburban areas because of the economic obsolescence of buildings and lack of care in services provided for public transport, security and cleaning within the CBD. However, with the inception of the Central City Improvement District (CCID) by the Cape Town Partnership (CTP) business flight out of the CBD had slowed and a major change around had resulted. One of the main reasons for the growth in the CBD has been the conversions of office space to residential space.

One such office conversion was Mutual Heights. In December 2002, Old Mutual Properties moved their head office from Darling Street to Pinelands and their old offices were converted into residential properties. This was the first major residential redevelopment to take place in the inner-city. The Old

Mutual building was converted into 172 mid-market residential units without detracting from its Art Deco design. The old Art Deco design was spared as the building is considered to be one of the finest art deco specimens in the world and every effort was made to preserve this. The completed Mutual Heights residential units came on the market in May 2003 and the first residents moved in from November 2004. Re-sales of these residential apartments have experienced considerable capital growth encouraging other buildings to do the same. Soon, the CBD office-to-apartment conversions became very popular both locally and internationally and other office blocks followed suit. By 2006, some 300,000m² of CBD space has been converted to either residential or parking space (Yach, 2006)

The biggest Cape Town inner city conversion resulted from the sale of seven buildings encompassing two city blocks that were previously owned by Nedbank. This became known as Mandela Rhodes Place which is now owned by Eurocape Investment Limited and cost R500 million. It became known as the largest mixed use development i.e. combination of residential, retail and business in the Western Cape. This development was significant as it was heralded as the catalyst that rejuvenated the historical and cultural part of the city. The first phase of development consists of 180 apartments and makes up the block of Wale Street, Burg Street, St George's Mall and Church Street. (Property Magazine, 2006).

Other significant buildings that were converted to residential space include the Coliseum, formerly Cape Town's first cinema in the 1930's and a listed Art Deco building. Cartright's Corner was converted into 18 floors of residential units and had two floors added to the building to incorporate magnificent duplex penthouses. Residents moved into the block in June 2005 and re-sale values have increased dramatically. The Glaston House Terraces are located at 67 Upper Church Street and consist of five heritage buildings that date back to the 17th and 19th century. The facades of these houses were saved and today they are modern one and two bedroom apartments aimed at the high income market. Development at 34 St George's began in April 2004 with the first residents moving in from March

2005. This building is conveniently located in the centre of the CBD and close to the V & A Waterfront. The Edge is a newly converted office block located at 247 Bree Street. This block has five levels comprising 35 apartments which sit on top of two floors of parking space. Building at The Edge was expected to have been completed by June 2006. Other office space converted to residential apartments in the CBD include: 4 Church Square, The Decks at 67 Long Street, Fountain Suites and Hotel in Thibault Square, Hip Hop Plaza at 39 Roeland Street, and Market House in Greenmarket Square (Property Magazine, 2006).

In the past two years the number of office buildings in the CBD has decreased from 50 to four. Approximately, 100,000m² of lower grade office space has been converted to residential units and as a direct result a shortage of grade B office space is being experienced. This has encouraged tenants to look to the decentralized nodes and Century City has been one of the biggest winners. Furthermore, those tenants looking to occupy spaces of 5,000m² or more can no longer be accommodated in the CBD as large spaces are limited. Again, they are pushed to seek office space outside of the CBD to satisfy their needs which in turn raises the rental rates and reduces vacancies in the decentralized nodes. This means that the demand for office space has become a landlord's market and is no longer a tenant's market (Bosch, 2005).

The following graphs evidence the positive turn around taking place in the Cape Town CBD. Here, despite the relentless development of edge cities, the Cape Town CBD has managed to grow with increased demand for office space which is reflected in the high rental rates and low vacancy levels.

Figure 19 shows how rentable office space in the Cape Town CBD has grown. From the beginning of 1999 until the beginning of 2000, the CBD experienced a large reduction in the availability of total office space. This phenomenon has been attributed in part to the conversion of office space to residential space within the CBD. Increased demand in the CBD led to the re-development and upgrading of old and neglected space, yielding a higher-

value office or residential space. This expansion has resulted in growth in the residential area of the city i.e. night-time activities, restaurants, coffee shops, clubs etc. By 2003/4 some 100,000m² of older office buildings had been converted to residential use. Thus, not only did the CCID reduce the exodus of office users but it also encouraged the introduction of a massive residential area to take up previously outdated office space. This reduced the amount of office space available to rent and in turn increased the office rental rate in the CBD. (SAMCO Report 2003/4:62)

Figure 20 breaks up total rentable office space into the major office grades in the Cape Town CBD. Between 1993 and 2005, there was a visible decrease in grade A and grade B office space. The former decreased by one-third from 519,000m² in 1997 to 331,865m² in 1999. This decrease is a result of upgrading in office space from grade A to Premier office space. The decrease in grade B office space between 2000 and 2004 is a result of the conversion of office space to residential space. Between 2004 and 2005, there was a decrease in Premier office space but an increase in both grade A and grade B office space.

An increase in demand for office space also led to the continuous increase in market rental rates for all grades of office space within the CBD. Figure 21 indicates that Premier office space outgrew that of grade A and B office space between 1993 and 2005. This was due to Premier office space providing better quality accommodation compared to grade A and B office space and thus demanding higher rental rates.

Figure 22 shows that between 1993 and 1998, grade A vacancies decreased from 15.5% to 4.10%, and for grade B office space from 13% to 8.3%. However, from the beginning of 1999 to the beginning of 2000 office vacancies roughly doubled, especially for grade B office space (an increase from 11.2% in 1999 to 26.78% in 2000). This increase is blamed on a lack of confidence by office owners to locate their offices to the CBD. Subsequently they relocated offices to the decentralized nodes. Fortunately, due to the success of the CCID, office vacancies decreased from 2001 onwards.

Premier office space experienced a zero vacancy level in 2005 which indicates the demand for high quality office space in the CBD. Grade A and B office space also experienced substantial decreases in 2005 at 5.07% and 10.84% respectively. Previously decentralized office owners relocated their offices back into the CBD and this increase in demand for office space led to the decrease in office vacancies.

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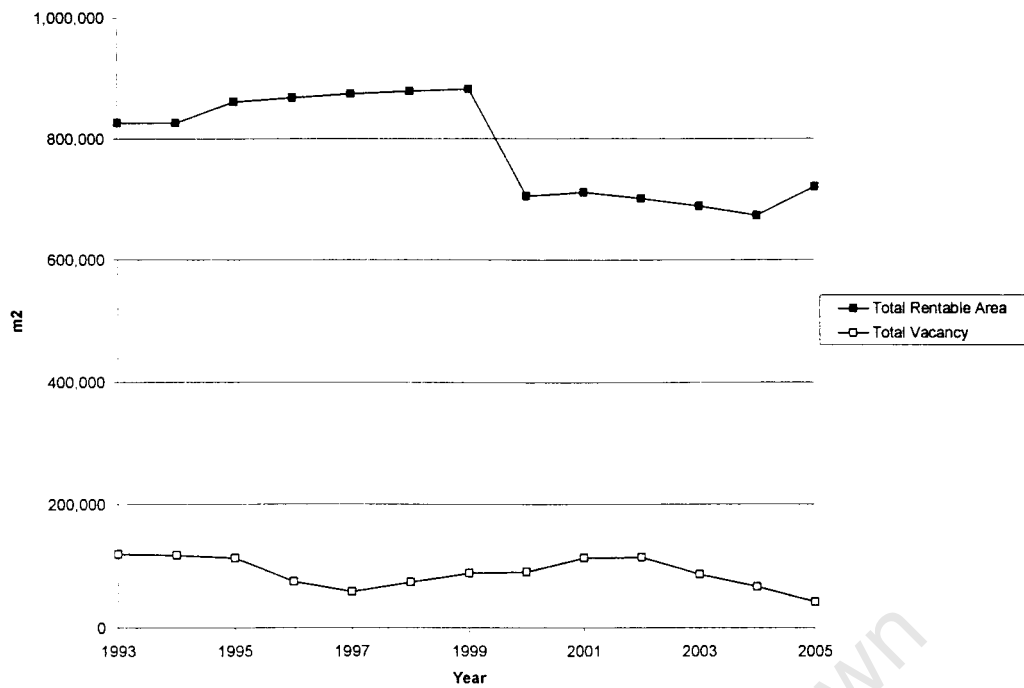


Figure 19: Total rentable office space and vacant office space (m²) for the Cape Town CBD node, 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 - 2005)

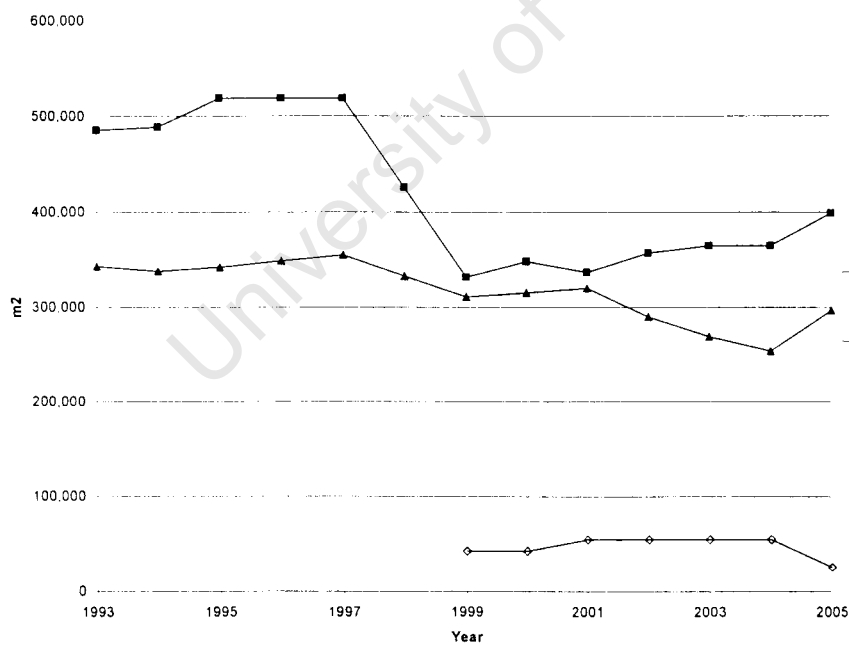


Figure 20: Rentable office space for each office grade (m²) in the Cape Town CBD node, 1993 - 2005
(Source: SAPOA Office Vacancy Survey, 1993 – 2005)

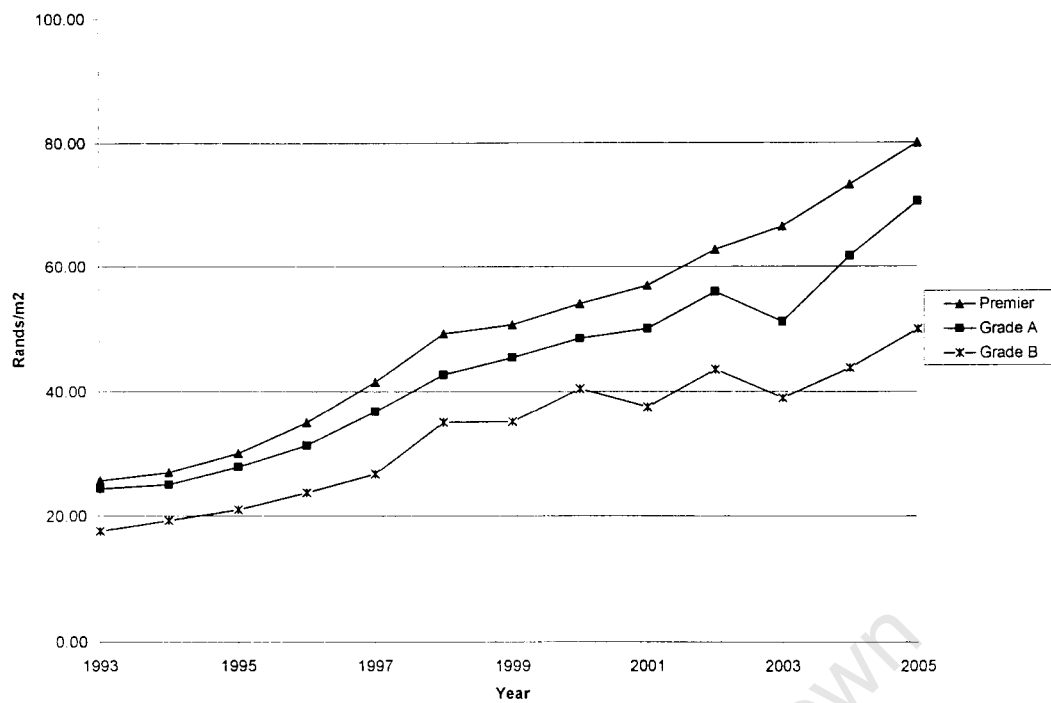


Figure 21: Rental rates for all grades of office space for the Cape Town CBD, 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

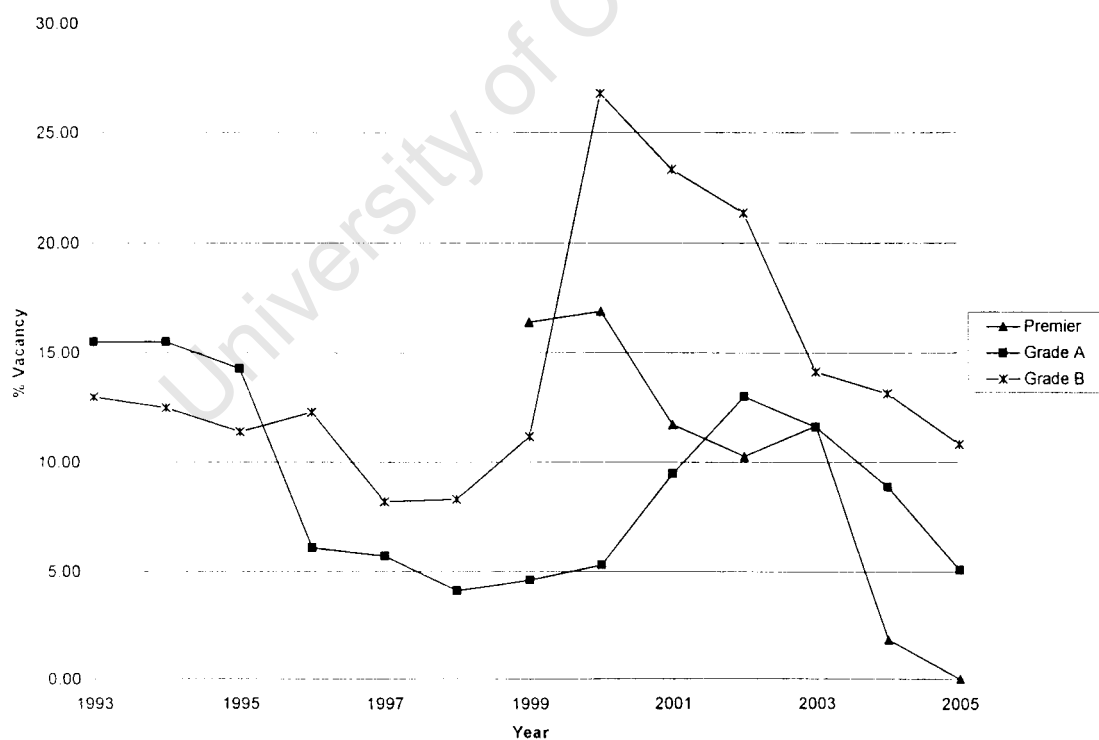


Figure 22: Vacancies (%) for all grades of office space for the Cape Town CBD, 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

Historically, the epicenter of the CBD has been the confluence of Strand and Adderley Street, with the Golden Acre, Woolworths, Edgars and the Cape Town Station forming the hub in later years. But, the development of the Waterfront changed all this as the exclusive market relocated from the CBD to the Waterfront. Furthermore, uncontrolled decentralisation in the City of Cape Town compounded the demise of the office market within the CBD. Today, the Cape Town CBD is being brought back to life. With the help of the CCID, small, medium and large office users are being attracted back into the CBD (Yach, 2003).

In Figure 23, Theodore Yach Property Services (2003) provide a graphic representation of how the seven market dynamics (highlighted), identified by them, are currently influencing the development of the Cape Town CBD. The diagram divides the CBD into four quarters: East City, Eastern Foreshore, West City and Western Foreshore. The illustration identifies the West City as a high activity node with St George's Mall and Long Street providing a large retail and office area. It is also seen as a tourism node and well serviced by hotels and restaurants. The Western Foreshore is considered the financial and media centre of the CBD. Premier and grade A office space have become concentrated in this area – a trend which is set to continue and strengthen. This part of the CBD also provides a unique service in that the Cape Town International Convention Centre (CTICC) is located here. It provides tourist facilities as it is linked to the Waterfront via the Roggebaai Canal. The East City comprises mixed residential, tourism (e.g. District Six Museum), office and retail areas. The East Foreshore offers space for the motor and service industry as well as for macro retail businesses (stores with an area of 1000m² or more).

Originally a separate node, the **Waterfront** is described as the first market dynamic as it has great influence on the CBD, second is the **Roggebaai Canal Precinct** which now links the Waterfont to the CBD and the Cape Town International Convention Centre (CTICC). This link provides major advantages to the CBD as it creates one dynamic area instead of two

competing nodes. The **Green Point retail and office precinct** recently experienced increases in the value of residential stock. Redevelopment of properties has taken place at a furious rate. According to Yach (2003), this trend is expected to continue along the Riebeeck Street spine into town which will result in a blurring of the division between the two areas. This area also benefits from the implementation of the Green Point Central Improvement District. The **Bo-Kaap** is a residential area of the city which is advantageous to the West City. Some functionally obsolete properties are currently being regenerated into mixed-use developments.

The **City Bowl** has experienced similar trends to that of Green Point with major increases in the value of residential properties. The regeneration of old buildings and the advent of new developments are expected to further enhance the value of properties in the CBD. Increased densification is taking place and is expected to continue and positively impact on the East and West City. **District Six**, located in the East City, has an interesting political history. Today, negotiations are taking place to address the land and tenant restitution issues of the area. Some returnees are already moving back into their new homes. The regeneration of this area is expected to have positive spin-offs for the CBD as the residential area is expected to generate additional retail and office activity in the CBD and in the East City Precinct in particular.

The final market dynamic is that of the **Culemborg** area which makes up the East Foreshore. It is an area of approximately 300 hectares of underutilised land. This area has huge potential and is currently being used by motor vehicle and macro retail businesses. It seems that this precinct will become known as 'motor town'. This area has also been mooted as an ideal location for major film studio's and international call centres.

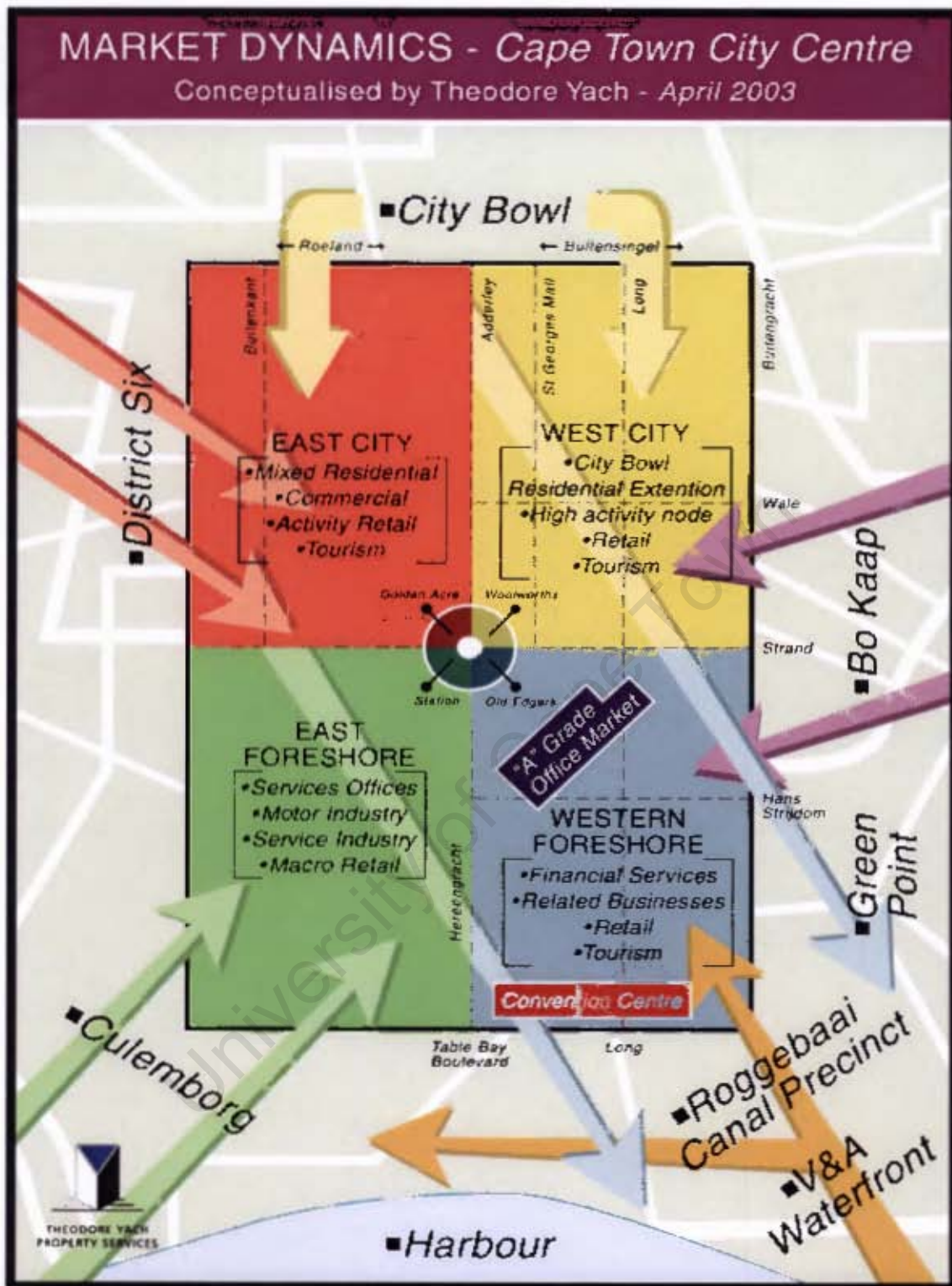


Figure 23: Diagram showing how the seven market dynamics identified by Theodore Yach Property Consultants impact on the development of the CBD (Source: Theodore Yach Property Services, 2003)

But what is expected to take place in the Cape Town CBD over the next few years? When this question was put to the Cape Town Partnership, they responded with the map provided below in Figure 24.

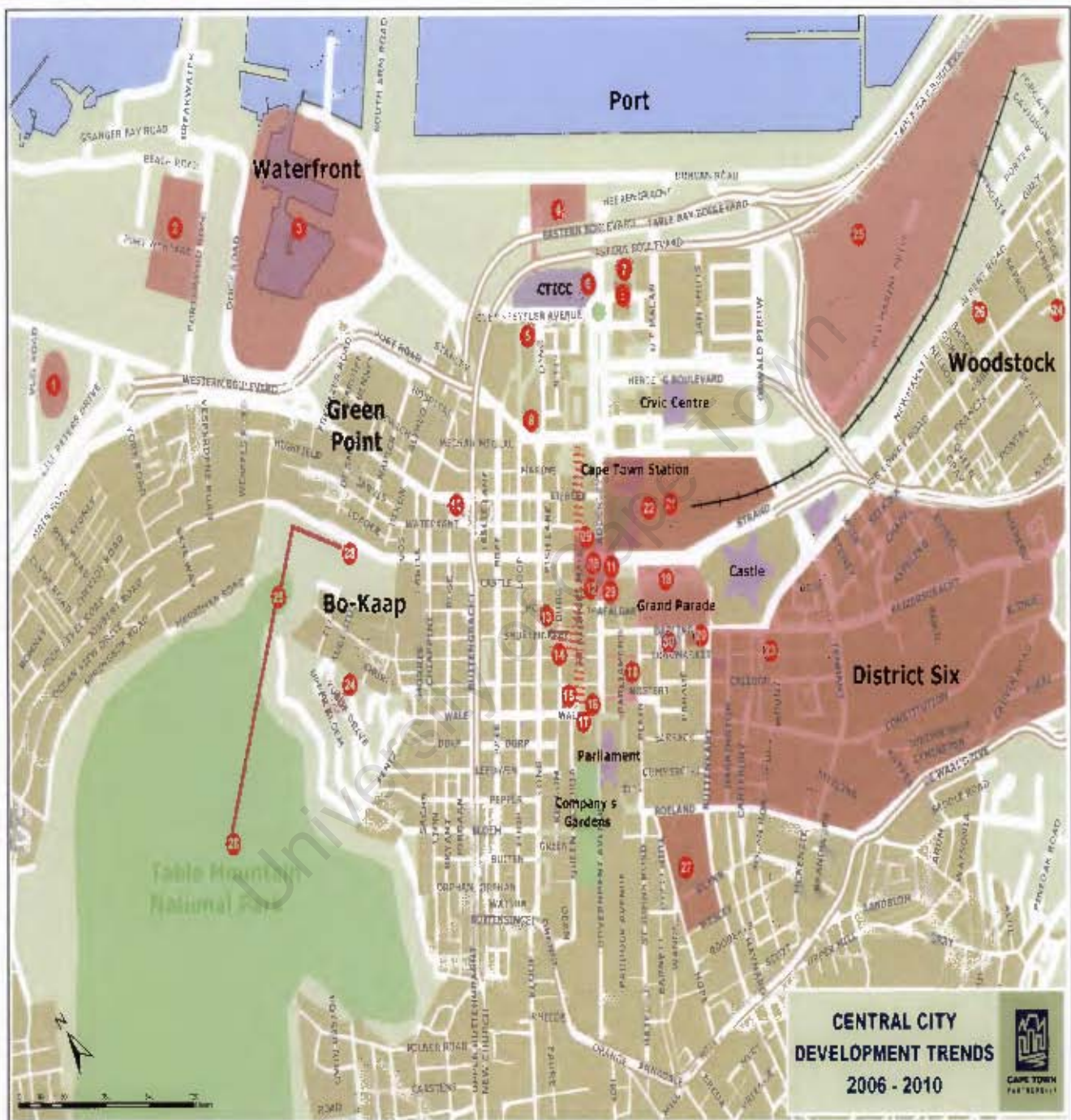


Figure 24: Map of Central City Development Trends, 2006 – 2010
(Source: Cape Town Partnership, also published in SAMCO Report 2006/7)

This map provides the location of proposed developments expected to take place in the Cape Town CBD between 2006 and 2010. A detailed explanation of each of these developments is not provided due to time

constraints. The future developments for the Cape Town CBD are as follows:

1. 2010 World Cup multi-purpose, all-weather Stadium in Green Point, due for completion by December 2008. Currently, there is much debate and controversy as to Green Point being the location of the new stadium.
2. Somerset Hospital Precinct: Proposed site for mixed-use development
3. V&A Waterfront: 40,000m² expansion underway
4. Cape Town International Convention Centre: Proposed expansion onto Customs House site for additional exhibition space
5. Desmond Tutu Peace Centre (planned)
6. Convention Tower: R200-m, 16 storey AAA-grade office development. It is expected that major corporate and financial institutions will relocate their offices here. Security and communication infrastructure are a high priority and asking rentals are expected to be between R110 and R115 per m². Occupation is expected in September 2007 (Eprop, 2006a).
7. Foreshore: Re-development of three key sites, including Jewellery City and expansion of Media24
8. Media City: Office re-development of precinct including Monte Carlo, Broadway Boulevard, and Hertzog Boulevard Buildings
9. Icon Building: R390-m mixed-use development, due for completion in November 2006
10. St Andrew's Square/Prestwich Place: Memorialisation and public space project
11. Golden Acre: In-town shopping centre upgrade
12. St George's Mall: Free WIFI Zone pilot project
13. The Decks: Mixed-use development comprising 350 parking bays, 2 500m² retail space, 60 apartments
14. Greenmarket Square: Proposed redevelopment of active public space

15. Mandela Rhodes Place, phase one: Mixed-use development comprising 180 apartments, retail mall and an inner city working winery
16. Mandela Rhodes Place, phase two: 5 star hotel development
17. Cathedral Square: Proposed new pedestrian priority area
18. Church Square: Conversion of car park into active public space. Phase one (R2-m), due for completion in June 2006. Planning for phases two and three (R2-m) underway
19. Grand Parade: R8.4-m revitalisation project due to start in January 2007
20. Nelson Mandela Centre for Excellence: Relocation of the Central Library to the Drill Hall scheduled for July 2007
21. Cape Town Station: Planning phase for R100-m revitalisation project is currently underway
22. Public Transport: Planning of inner city public transport system underway
23. District Six: Planned development of 4 000 housing units as part of land restitution process
24. Affordable Housing: Example of sites for affordable housing units
25. Culemborg: 60ha site proposed for mixed-use development
26. Old Biscuit Mill: Redevelopment of 44 units, offices and retail in Woodstock
27. Parliamentary Precinct: Proposed public/private mixed-use development
28. Strand Street Quarry/Signal Hill: Proposed Table Mountain National Park funicular access project
29. Adderley/Strand Precinct: Proposed redevelopment of Exchange Place, Woolworths, Golden Acre/Grand Parade Centre, and the underground concourse
30. City Hall: Proposed development of Cultural Centre

4.6.2 Claremont

The Claremont office node was, after Pinelands, the fastest growing office node in the Southern suburbs. It is expected that it will develop into an edge city as it has benefited greatly from decentralisation and the decline of the Cape Town CBD. After the implementation of the Claremont Improvement District Company (CIDC), the Claremont office node became very popular and office space was in great demand. Today, despite the success of the revitalisation of the Cape Town CBD, the Claremont office node has sustained itself as an edge city. It continues to experience growth in demand and popularity.

Figure 25 indicates that between 1993 and 2001 the total rentable office space in the Claremont node increased gradually from 78,000m² to 113,391m² respectively. Due to an increase in large scale office developments during 2000 and early 2001, the decentralized node was provided with a large increase in the availability of office space. This is evidenced in Figure 29. Unfortunately, due to issues of crime and grime and an oversupply of office space, together with high land prices and high rentals, vacancies increased to a dramatic 22%. Consequently, rental rates had to be reduced in order to attract tenants to the area. (SAMCO 2002/3:58)

The amount of vacant office space in 2003 amounted to 27,138m², as shown in Figure 25. Figure 28 supports the above statement by showing that in 2003, vacancy levels were at an all time high at 12,9%, 31,99% and 19,75% for Premier, grade A and grade B office space respectively. From 2001 onwards the rental rates for all grades in office space were decreased to encourage renewed interest in office rentals. This fact is evidenced in Figure 27, below.

The growth of grade A office space in the Claremont node was likened to that of riding a rollercoaster. Between 1997 and 1999 there was a major decrease in grade A office space from 65,100m² to 29,866m², respectively. However, between 1999 and 2003 there was a huge increase where rentable

grade A office space nearly reached the same levels held in 1997. There was another major increase between 2004 and 2005 where levels were at 43,400m² and 69,236m², respectively. Premier office space decreased between 2000 and 2004. Grade B office space increased between 1997 and 1999, which indicates that this was the time period when grade A office space was being downgraded to grade B office space. Between 1999 and 2005, grade B office space decreased. Thus, grade A office space was decreasing at the time when grade B office space was increasing, and visa versa.

However, it did not take long before the Claremont node started to experience a complete turn around. With Claremont being located in a good area in the Southern suburbs, close to residential areas and major transport links, vacancy levels began to drop dramatically. Excess office space and neglected, old retail buildings were redeveloped and converted into residential units. This was heralded as a positive move and resulted in office vacancies being at an all-time low with rentals rates increasing (SAMCO 2003/4:62).

An excellent example of business confidence returning to this node is the development of The Claremont Apartments (Eprop, 2006b). This is a R280-million landmark residential development on Main Road in the Claremont CBD. This development is expected to address the issue of urban regeneration aimed at drawing people back into the Claremont CBD. Occupation is expected to take place in December 2006. Since the inception of the Claremont Improvement District Company (CIDC) in 2000, issues of crime and grime have been dealt with and public confidence in the area as a prime office node has been restored. The CIDC is expected to implement new initiatives to further improve the urban environment of Claremont and the Claremont Boulevard Project is one of them. This initiative comprises a relief road and a public transport interchange together with the upgrading of Main Road and additional street lighting and furniture.

Figure 25 shows the decrease in total rentable office space between 2003 and 2004 which was as a result of the office conversions to residential units. The figure also shows a dramatic decrease in total vacancy levels between 2003 and 2004 from 27,138m² to 5,340m² respectively.

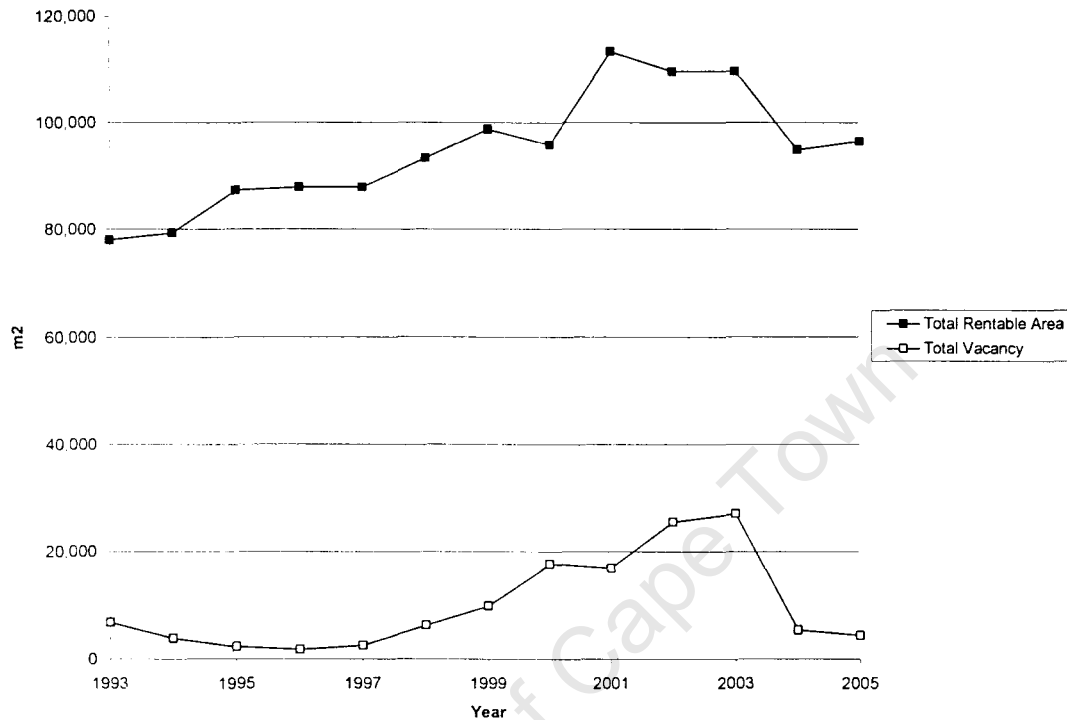


Figure 25: Total rentable office space and total vacancies (m²) for the Claremont node, 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 - 2005)

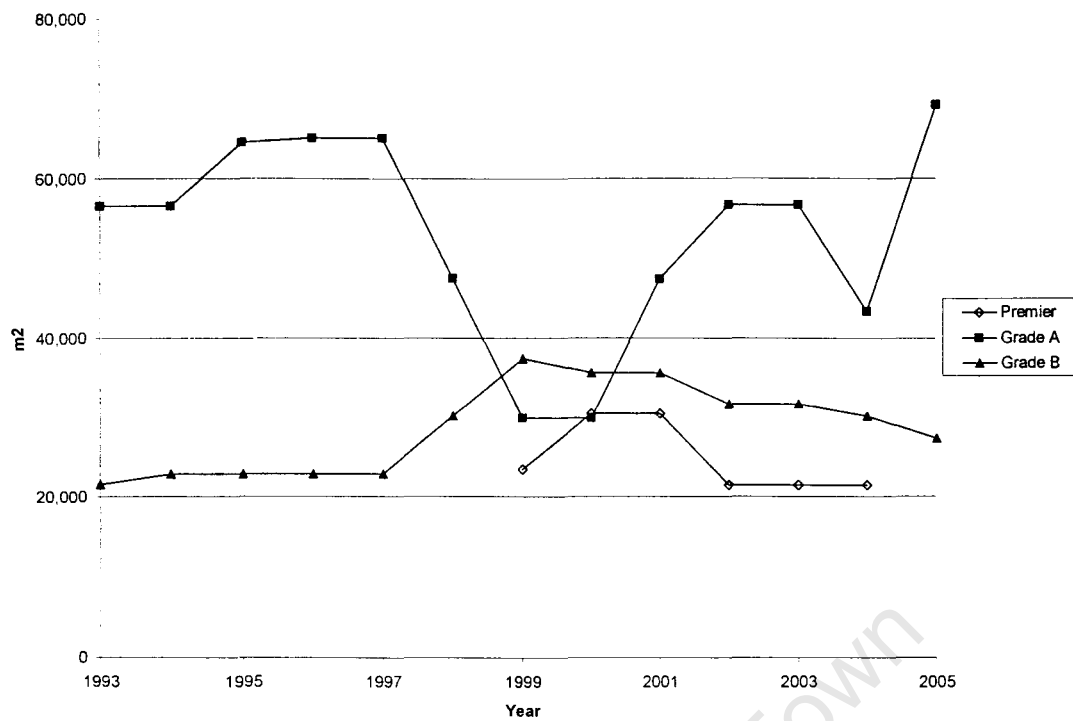


Figure 26: Rentable office space for each office grade in the Claremont node, 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 – 2005)

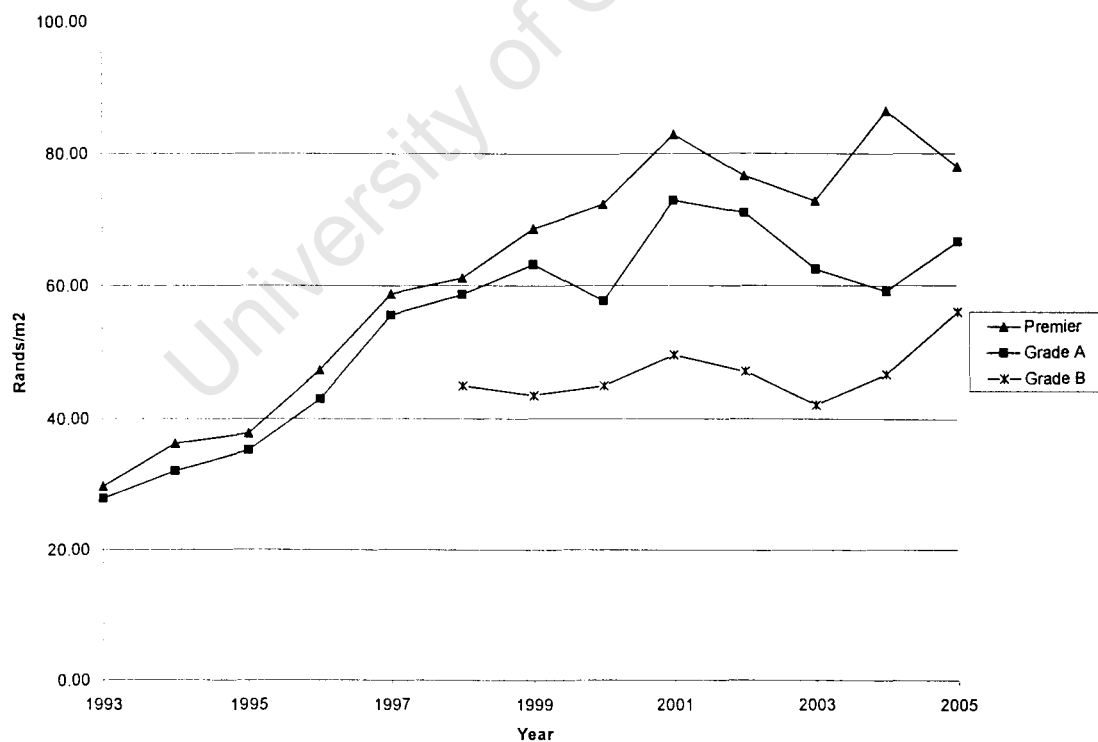


Figure 27: Market rental rates for all grades of office space for the Claremont node, 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

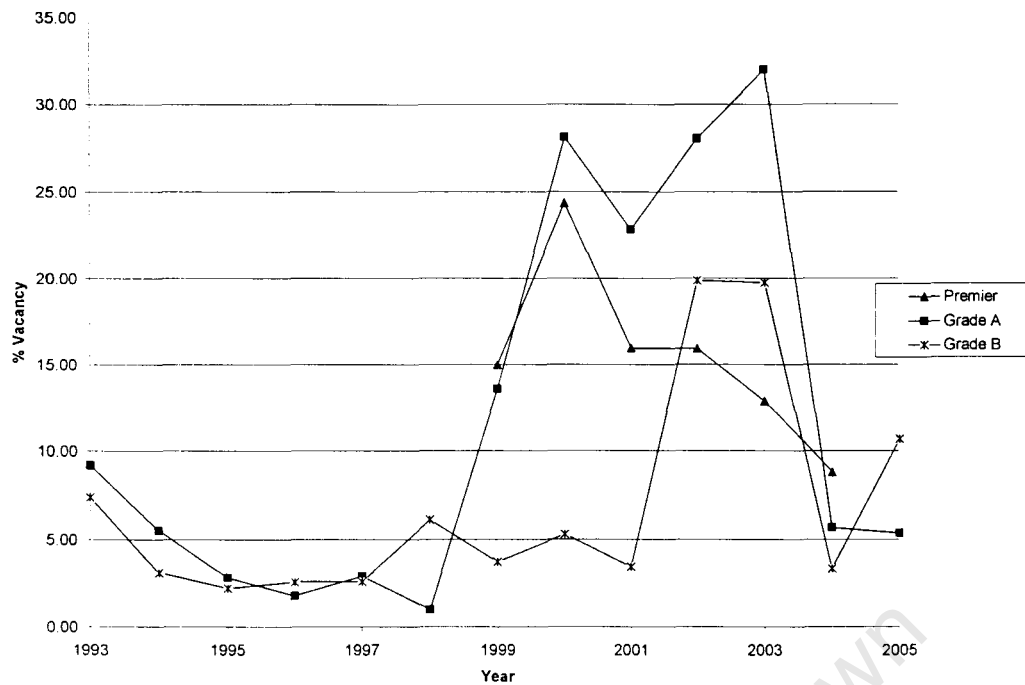


Figure 28: Vacancies (%) for all grades of office space for the Claremont node, 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

4.6.3 Bellville

Bellville is Cape Town's best example of an edge city. It is found outside the Cape Town CBD and is a node that offers office activities, retail stores and residential developments. As a major office node, it competes with the Cape Town CBD and other decentralised office nodes for business. It is a node that has benefited from the effects of decentralisation where many businesses relocated their offices from the CBD to the suburban office nodes. Office space in this node is in high demand and this is reflected in the data provided.

It is important to note that the *SAPOA Office Survey Data* for the Bellville node includes the Tyger Valley area within its spatial boundary (see Section 3.4). The Rode's Report, however, excludes it, and thus a separate graph (Figure 33) showing the market rental rates for the Tyger Valley area is included in this section.

It can be seen from Figure 29 that the Bellville area has experienced an increase in the total amount of rentable office space since 1993. This has resulted in the node experienced unprecedented growth, which according to SAMCO (2003/4) is expected to continue. Most of the new office developments have, however, taken place in and around the recent Tyger Valley Waterfront and this has led to a decline in office space in the Bellville CBD itself. Thus, decentralization has also taken place within the Bellville node.

Figure 30 illustrates that during the time that grade A rentable office space was decreasing, grade B rentable office space was increasing. In particular this occurred during 1997 and 1999 and is possibly due to the downgrading of office space at that time as office stock had aged. Thereafter, between 1999 and 2005, grade A office space increased and grade B office space levelled off. This phenomenon can be attributed to an increase in confidence in the office node that resulted in an oversupply of office space. Premier office space remained at similar levels between 1999 and 2005.

Total vacancy levels for all grades of office space, as shown in Figure 29, remained relatively low. Between 1993 and 2004 vacancy levels increased from 15,800m² to 38,889m². But, between 2004 and 2005 vacancy levels dropped back down to 16,317m² which were similar to those experienced in 1993. Looking at percentage office vacancies between the office grades (see Figure 34), grade B office space experienced the highest percentage of vacancies compared to the other two types. Grade B office vacancies peaked in 1993 and in 2003 at 21.2% and 22.55% respectively. Premier office vacancies remained at zero between 1999 and 2005, and grade A office vacancies remained mostly below 5% with peaks at 7.63% and 6.66% in 2002 and 2004 respectively.

Market rental rates, as shown in Figure 31, reflect that rental costs for Bellville (excluding Tyger Valley) continued to appreciate between 1993 and 2005 for all types of office space. Figure 33 indicates the impressive development of the Tyger Valley area. Market rental rates reflect high rental

costs for all types of office space in this area and compared to the Bellville CBD are much higher. In 2005 Grade A office space cost as much as R68.38/m². This is substantially more than the rent for the same type of office space in the Bellville CBD, which was R50.00/m². Furthermore, grade B office space in the Tyger Valley area achieved higher rental rates than grade A office space in the Bellville CBD, at R58.57 versus R50.00 respectively. One of the reasons given for this phenomenal growth in the Tyger Valley node has been attributed to the desire for people to have their work and homes in close proximity to each other (SAMCO 2006/7:77).

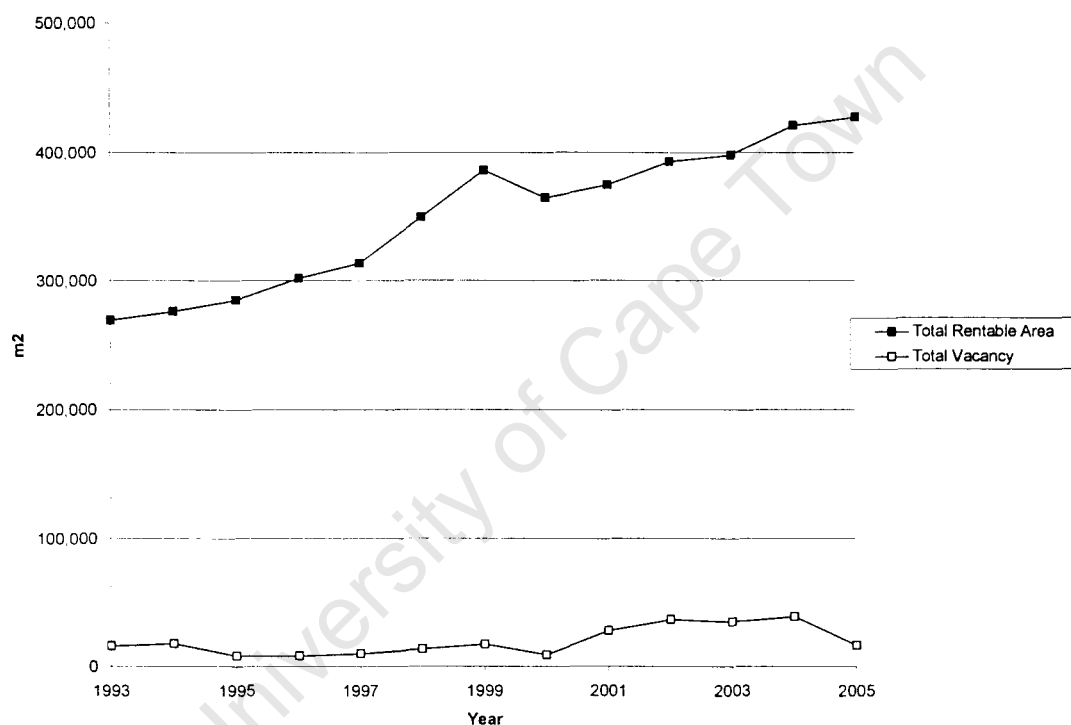


Figure 29: Total rentable office space and total vacancies (m²) for the Bellville CBD node (including Tyger Valley), 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 – 2005)

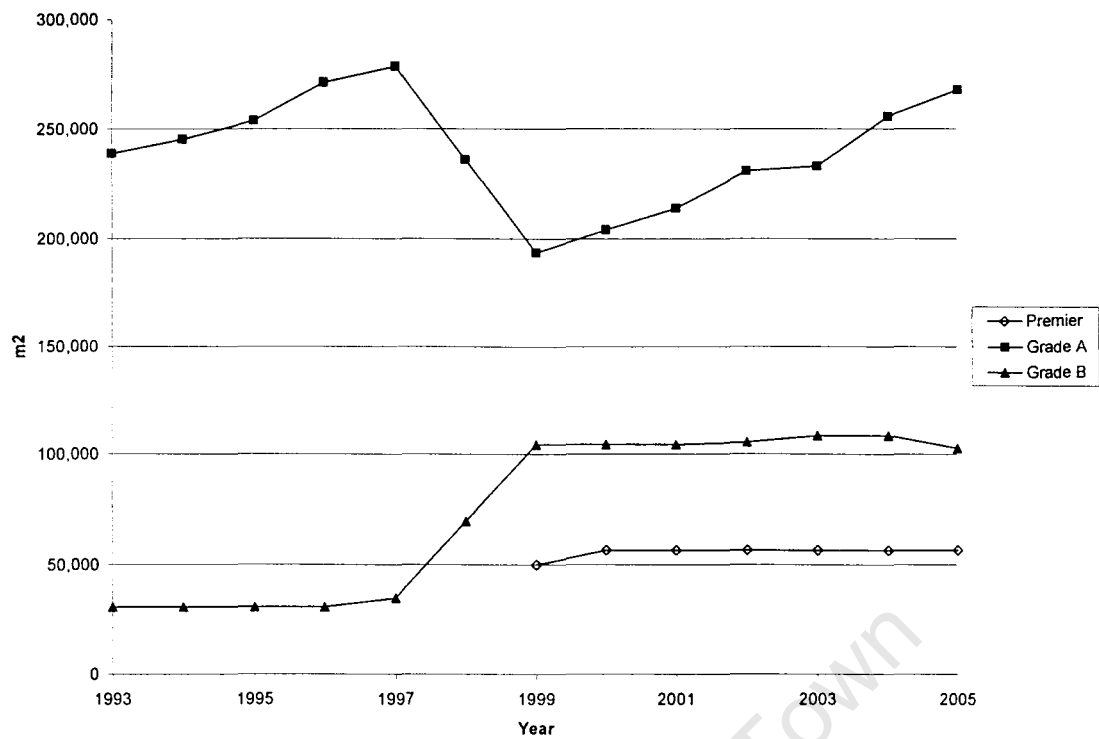


Figure 30: Rentable office space for each office grade in the Bellville CBD node (including Tyger Valley), 1993 - 2005
(Source: SAPOA Office Vacancy Survey, 1993 – 2005)



Figure 31: Market rental rates for all grades of office space for the Bellville CBD node (excluding Tyger Valley), 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

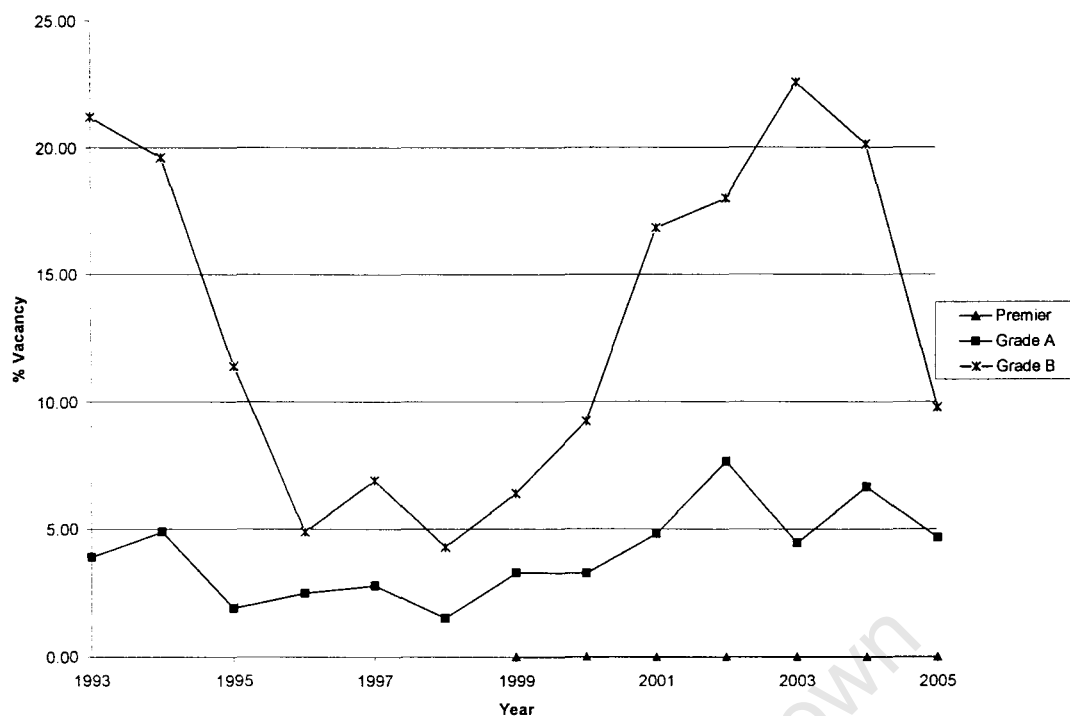


Figure 32: Vacancies (%) for all grades of office space for the Bellville CBD node (including Tyger Valley), 1993 – 2005
(Source: Rode's Report, 1993 - 2005)

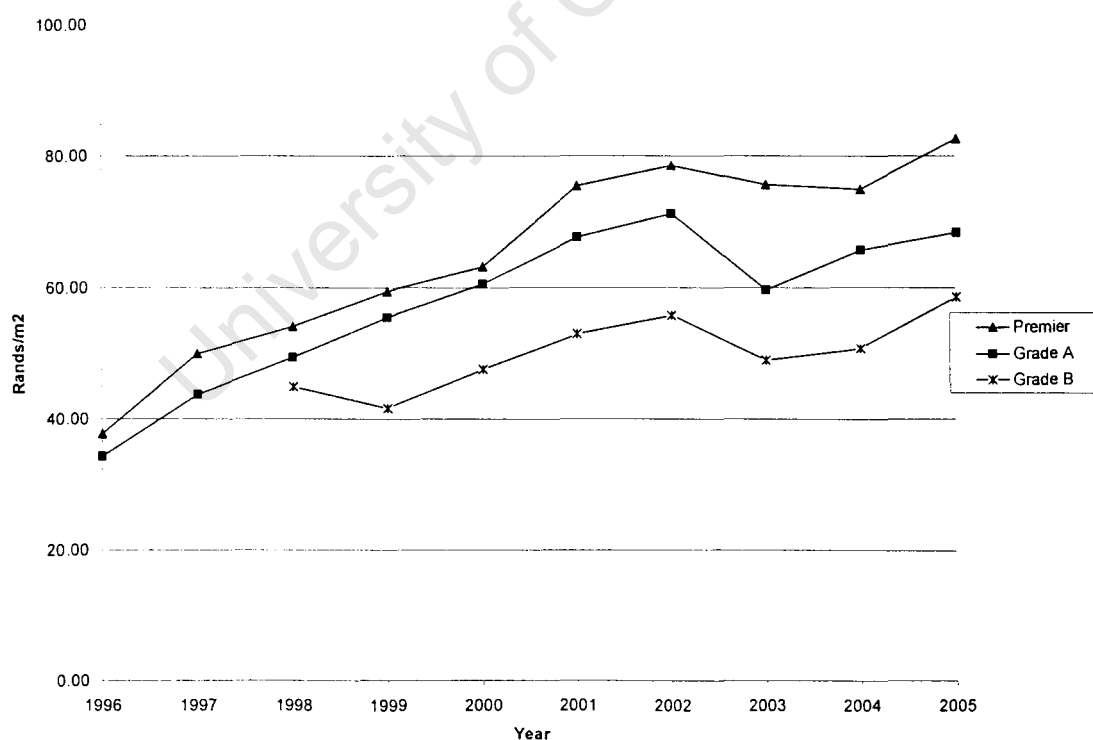


Figure 33: Market rental rates for all office grades for the Tyger Valley node only, 1996 – 2005
(Source: Rode's Report, 1996 - 2005)

4.6.4 Century City

Century City is also a classic example of an edge city or of what Marcuse (1997) refers to as a 'totalizing suburb'. This is because it is a spatially concentrated development that has taken place outside of the CBD and inner suburbs, and because it competes with the CBD for business. Furthermore, all business activities, employment centres, and office and cultural facilities are brought together with residential areas in a form that renders it 'totalizing'. Century City provides employment, culture, recreation, diversified shopping, and entertainment, and is therefore self-contained and does not depend on the Cape Town CBD or other nodes to survive. According to Marks and Bezzoli (2001: 27), the Century City node "represents the ultimate commodification of urban space and services ... one can live, work and shop within the same complex without having to leave the gates of the city".

Century City has developed over the past few years into a strong office node. According to the SAMCO Report (2006/7), it is rapidly becoming, in terms of residential, office and retail development, a node in great demand. Figures 34, 35, 36 and 37 show this by displaying high market rental rates and low vacancy levels for this node. The success of this 'city' is reinforced by Greg Deans, the Managing Director of Century City Property Developments. He believes that Century City is experiencing unprecedented growth and success mainly due to the huge injection of investment in new office and residential development within the node. Moreover, he states that new developments are taking place as a direct result of the strong demand for office space together with historically low vacancies. He affords the success of this venture to being well located (close to transport links and a residential area), consisting of good infrastructure, having been properly planned, and due to the provision of ample parking and excellent security (SAMCO, 2002/3:58).

To the south of the shopping complex lies the office park which is seen as Century City's major draw card. In the past, as a result of the flight of businesses from the Cape Town CBD, many companies relocated their

offices in the Northern Suburbs. Century City was one of the main nodes capitalizing on the situation. Major companies such as Nashua, Discovery Health, Telkom and PriceWaterhouseCoopers were amongst the companies that made the move to the north (Marks and Bezzoli, 2001: 35). Deans adds Auto & General, Unisys, DaimlerChrysler and a major internal software company to the list.

In 2005, Century City had a total of 81,668m² of office space available for rental (see Figure 34). Total office vacancies have steadily decreased between 2002 and 2005 from 14,850m² to 710m² respectively. This is a dramatic decrease in vacancies which confirms that office space within this node is in high demand. It also offered premier office space for rental at some of the highest rates in Cape Town and this is reflected in Figure 36. In 2005, premier and grade A office space in Century City was asking approximately R90/m² and R77.33/m², with only the Waterfront node overtaking it.

Figure 35 shows clearly that between 2004 and 2005 grade A office space increased and Premier office space decreased. This phenomenon can be attributed to the downgrading of office space. Grade B office remained constant and insignificant in size.

Figure 37 shows that office vacancies in 2002 were high especially with regard to grade A office space. Here, office vacancies were as high as 26.59% in 2002. In 2005, however, a complete turn around took place and vacancies were at an all time low. According to the *SAPOA Office Vacancy Survey* (2005), vacancies were as low as 0% and 1.31% for Premier and grade A office space respectively. The data reflecting the vacancy levels for grade B office space is misleading. In 2004, the grade B office stock in Century City was a meagre 1,500m². Today, grade B office space continues to contribute a very small amount to the total amount of office space available for rent. This means that even if there is a small amount of office space vacant it is reflected incorrectly as a high percentage of space available to rent. Thus, it is not a true reflection of what is really going on.

Research suggests that the amount of office space available at Century City is set to double in size to about 175,000m² by mid-2007. Currently, it is the fifth largest node surveyed within the City of Cape Town, however, with the new office developments it is expected that Century City will move into fourth position behind the CBD, Bellville and Pinelands and ahead of Claremont, Rondebosch/Newlands and the Waterfront (Eprop, 2006c). Thus, the Century City node continues to show huge growth potential.

Figure 38 illustrates the new office developments currently or completed at Century City. At the end of 2006 a total of 13,500m² of new office developments are expected to be completed, mainly for owner-occupiers, and a further 29,000m² is expected to be completed by January 2007. Added to this is a further 49,000m² of new offices which are expected to come on stream by August 2007 including new regional offices for Liberty Life, the second phase of Spearhead's Knowledge Park 2 development, Harries Projects' Boulevard Place development and the Louis Group's Century Falls office development (Eprop, 2006d).

Currently, under construction is the R300m Colosseum, which in itself is a 'microcosm of new urbanism'. It consists of three floors of offices and a ground floor retail area topped off with a two-storey, 70-suite luxury hotel. There is also a market for smaller and medium size owner-occupiers and tenants. As a result of this, construction has started on the Century Gate Business Park and The Estuaries Office Park, together totalling 40,000m² (SAMCO 2006/7:80).

Century City markets itself for not only offering an exceptional lifestyle, but also its central metropolitan location and close proximity to all amenities. It boasts a vibrant and flourishing community and is proud of it having embodied the concept 'a city within a city' (SAMCO 2006/7).

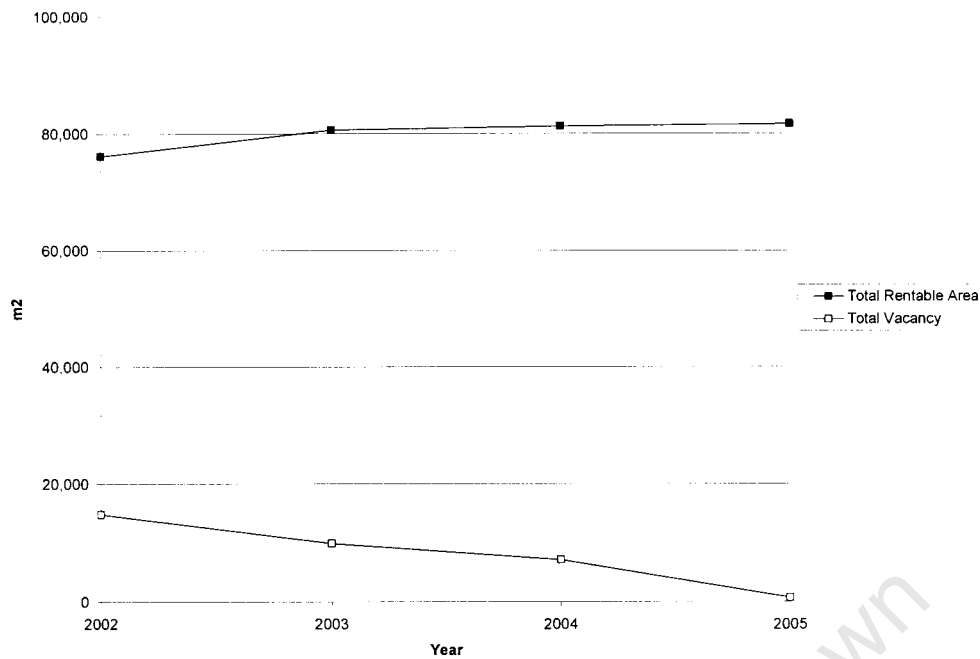


Figure 34: Total rentable office space and total vacancies (m²) for the Century City node, 2002 – 2005
(Source: SAPOA Office Vacancy Survey, 2002 - 2005)

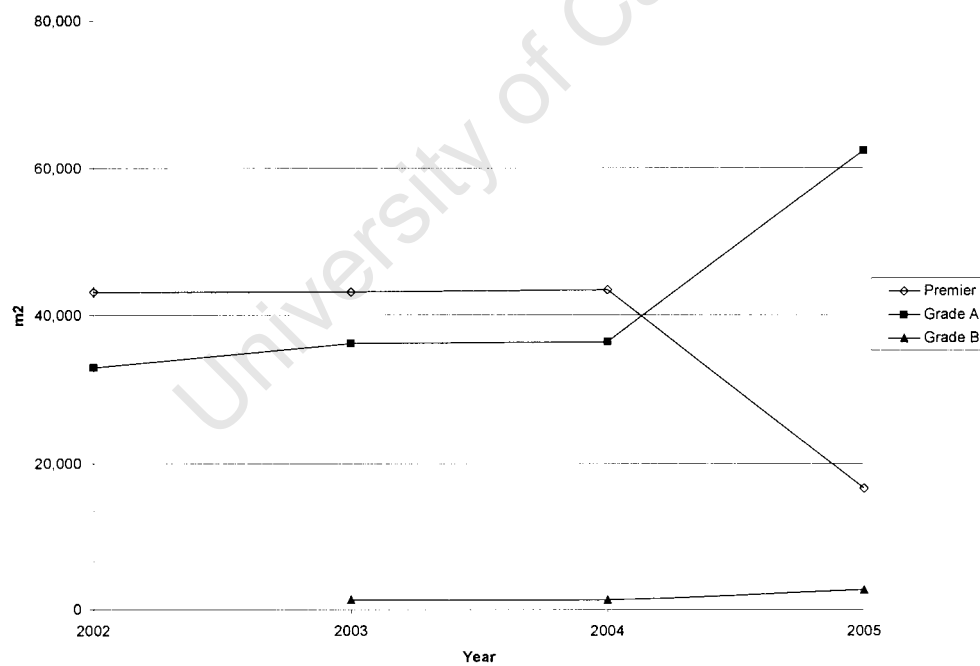


Figure 35: Rentable office space for all office grades in the Century City node, 2002 – 2005
(Source: SAPOA Office Vacancy Survey, 2002 – 2005)

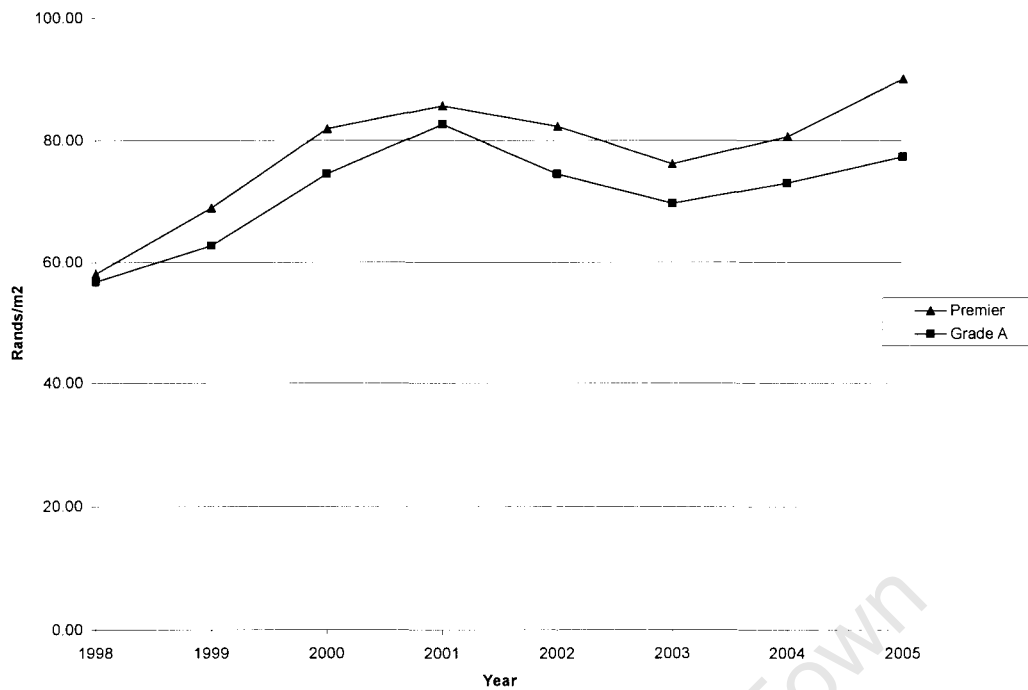


Figure 36: Market rental rates for all office grades for the Century City node, 1998 – 2005
(Source: Rode's Report, 1998 - 2005)

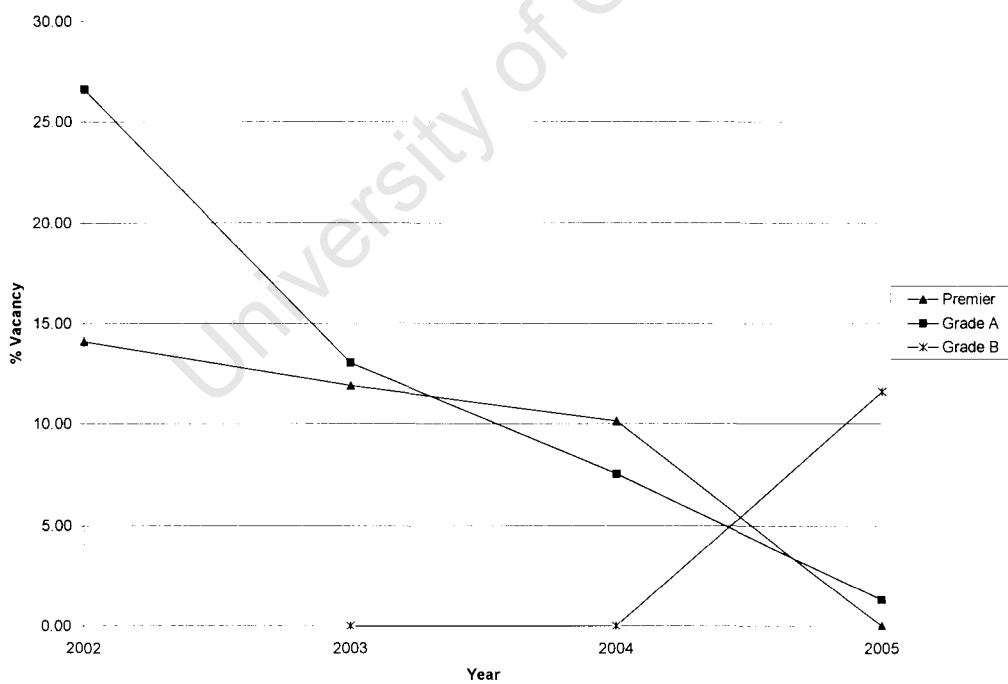


Figure 37: Vacancies (%) for all office grades for the Century City node, 2002 – 2005
(Source: Rode's Report, 2002 - 2005)

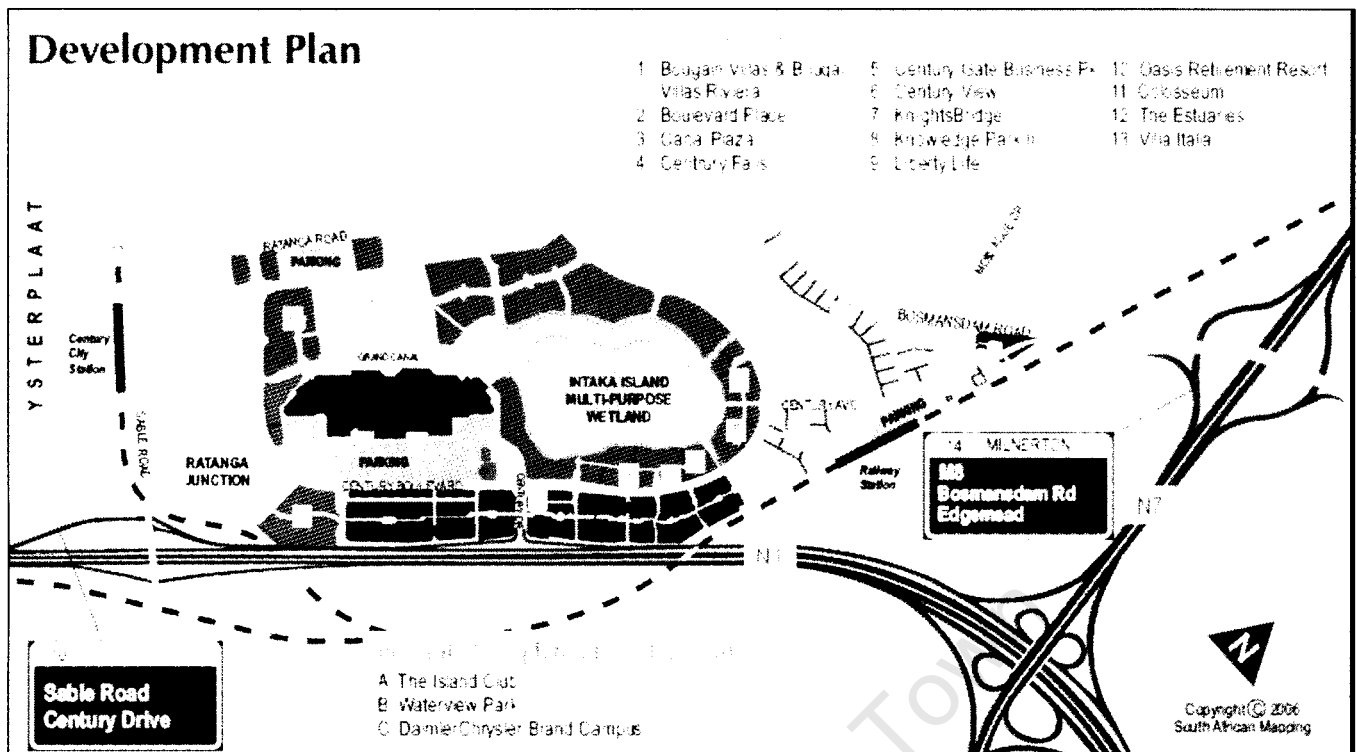


Figure 38: Map of Century City showing current and recently completed developments
(Source: SAMCO Report 2006/7)

4.6.5 Rondebosch/Newlands

This office node is located in the southern suburbs and continues to be labelled as an edge city as it too rivals the CBD for business. It provides all necessary retail facilities, offers employment in a growing office sector and is located close to residential areas in the southern suburbs. It is expected that, due to high traffic volumes leading into and out of the CBD at busy times, residents chose to relocate their jobs closer to where they live. The prospect of not spending many hours stuck in traffic is considered by many a major advantage to working in the suburbs. Thus, this office node draws job opportunities out of the CBD to the suburbs which is characteristic of edge cities.

The data shows that this suburban office node experienced a huge increase in the total amount of office space available for rental between 1997 and 2001 i.e. a jump from 69,600m² to 102,281m² respectively. However, between 2001 and 2005, total rentable office space levelled off as not much

office development took place during that period (see Figure 39). This resulted in existing office parks competing for tenants which led to very competitive market rental rates compared to other decentralized office nodes (SAMCO 2003/4: 62). Total office vacancies declined between 1993 and 1999 but increased to an all-time high of 15,895m² in 2002, before decreasing again to only 1,007m² in 2005. The latter decrease can be associated with increased business confidence in the node.

Figure 40 reveals that there was a major decrease in grade A office space from 69,600m² in 1997 to 39,147m² in 1999. Between 1999 and 2004, the levels of all the office grades remained the same, however, between 2004 and 2005, grade A office space increased dramatically with Premier office space falling away. This indicates a major downgrading of office space from Premier to grade A office space. The decrease in grade A office space can also be attributed to the downgrading of aging office stock and resulting in an increase in grade B office space.

Figure 41 illustrates the growth of the different office grades for the Rondebosch/Newlands office node between 1998 and 2005, and not from 1993 as with most of the other office nodes. As expected, Premier office space experienced the highest market rental rates and experienced a gradual increase between 1998 and 2005. Grade A office space also experienced a gradual increase between 1998 and 2001 in market rental rates, but due to competition within the node as a result of the oversupply of office space, rental rates decreased between 2001 and 2004, before increasing again in 2005. Grade B office space did not experience much of an upswing in market rental rates between 1998 and 2005.

According to Figure 42, vacancy levels within each office grade was a mixed bag. Between 1993 and 1999, the Rondebosch/Newlands node experienced a dramatic decline in Grade A vacancies, with 1997 and 1999 experienced zero percent vacancies. Thereafter, vacancy levels increased to a high of 17.79% for grade A office space in 2002, and 20.21% for grade B office space in 2003. Vacancy levels of Premier office space increased

dramatically between 2000 and 2001 from zero percent to 9.82%, however, thereafter, they decreased to 5.14% in 2004.

In sum, the data presented for the Rondebosch/Newlands office node shows that 1999 was a growth year as office vacancies were at an all-time low. Reasons for this are due to decentralisation where businesses were relocating their offices out of the Cape Town CBD and into the suburban nodes. Post -1999 vacancies increased to an all-time high in 2002/3 before falling sharply again. This increase was a result of an oversupply of office space due to renewed business confidence in the area. This phenomenon is illustrated in Figures 39 and 42. As a result of these high office vacancies between 1999 and 2002, market rental rates decreased so as to entice investors back into area. As soon as office enterprises started reinvesting in the node again, vacancy levels decreased and consequently market rental rates increased, as shown in Figure 41.

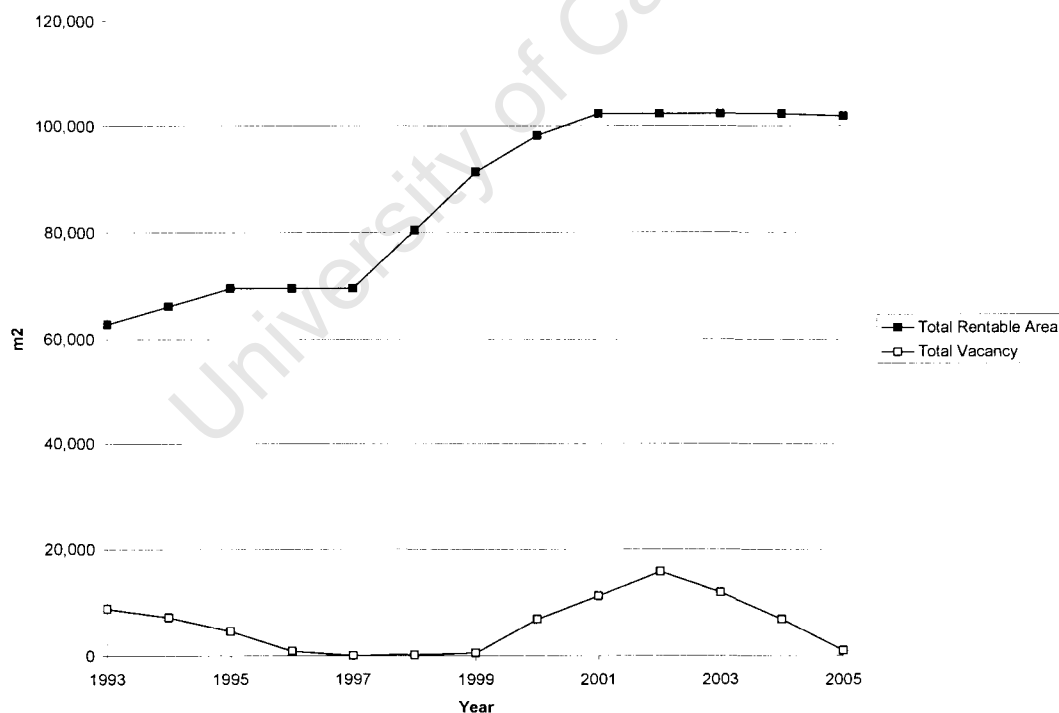


Figure 39: Total rentable office space and total vacancies (m²) for the Rondebosch/Newlands node, 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 - 2005)

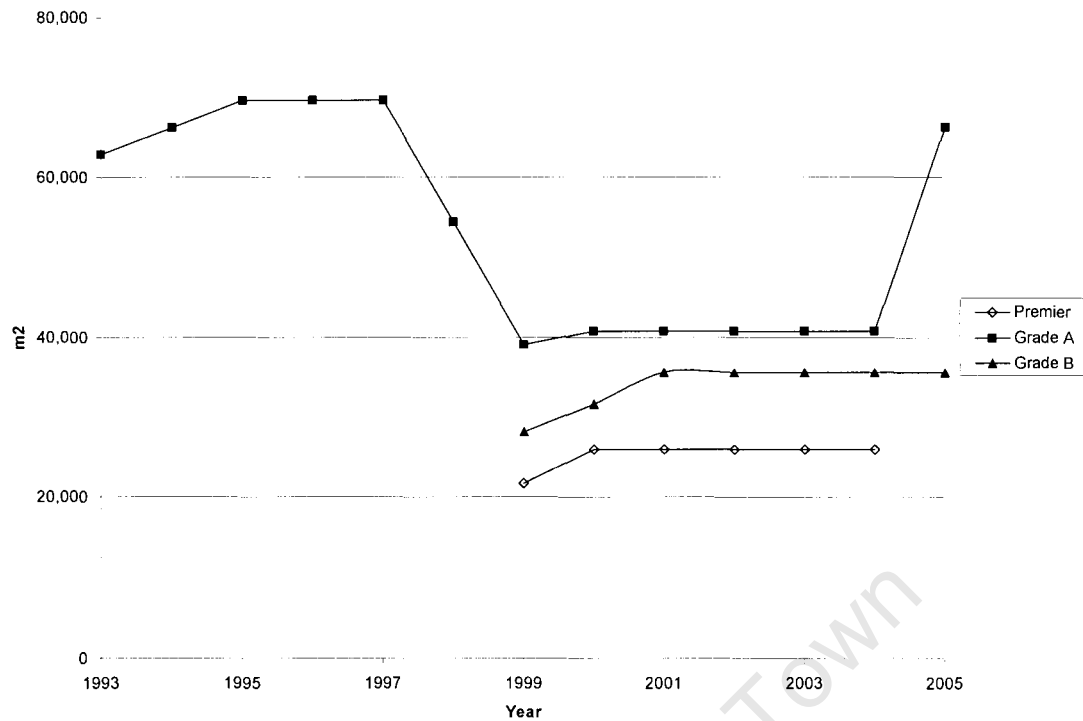


Figure 40: Rentable office space for each office grade in the Rondebosch/ Newlands node, 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 – 2005)



Figure 41: Market rental rates for all office grades for the Rondebosch/ Newlands node, 1998 – 2005
(Source: Rode's Report, 1998 - 2005)

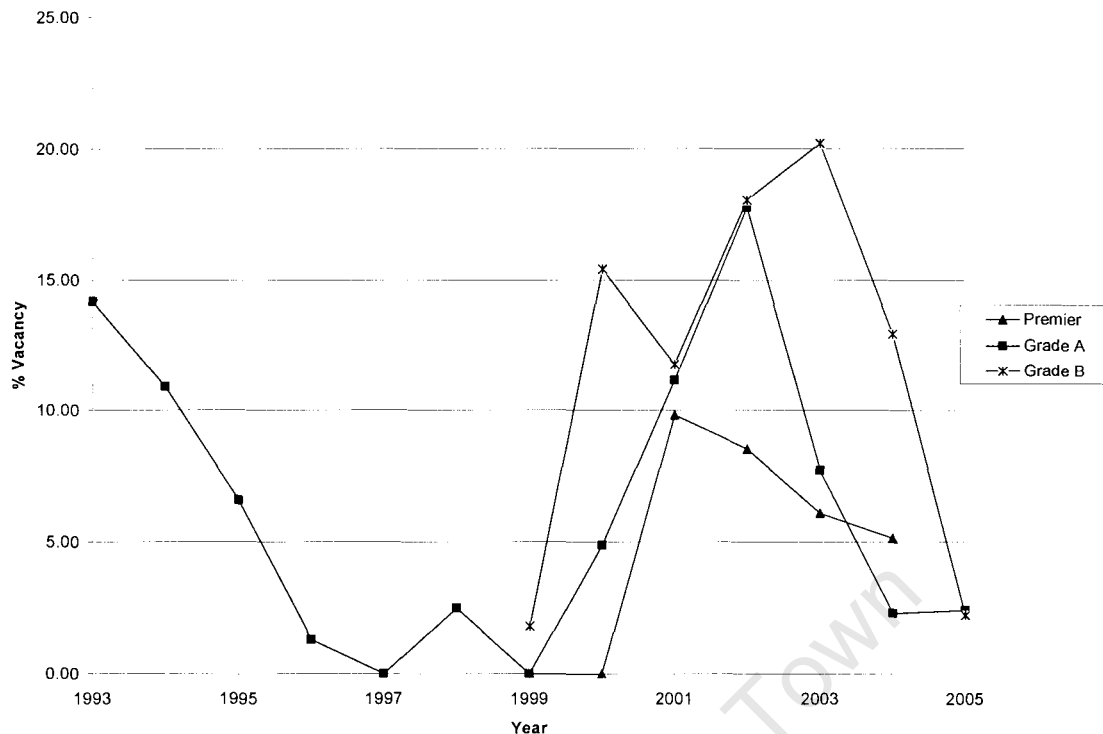


Figure 42: Vacancies (%) for all grades of office space for the Rondebosch/ Newlands node, 1993 - 2005
(Source: Rode's Report, 1993 - 2005)

4.6.6 Pinelands

This office node is experiencing positive growth and demand. This is evidenced by the construction and development of a new and much sought-after mixed-use business park bordering Pinelands. According to Andy Beddow of Baker Street Properties, this new development has aptly been named The Epic and is conveniently located in Berkley Road in Ndabeni (Eprop, 2006e). The site is set to be developed into office offices, industrial units and a retail node comprising a total of almost 20,000m². Office space in this node is in high demand because it is located within 10 minutes from the Cape Town CBD and the Cape Town International Airport. Furthermore, it is within easy access of the N1, N2 and M5 highways, and close to the Maitland railway station. Excellent security, ample parking and panoramic vistas of Table Mountain and the City are expected to entice businesses to invest in this node. It is expected that The Epic will be completed around October 2007 (Weekend Argus, 2006).

Another, new office park, Park Lane Office Park, is to be developed on a site adjoining the Vincent Pallotti Hospital in Pinelands. Approximately, 7,000m² of grade A office space will be available upon completion in October 2007. Office space is expected to be sold easily as the office park offers excellent security, a landscaped environment, adequate parking and an excellent location (as it is close to all major road and rail networks). The office park also boasts panoramic views of the Devil's Peak and the back of Table Mountain and modern, low maintenance finishes (Eprop, 2006f).

The Pinelands office node experienced an increase in total rentable office space of 157,800m² from 1993 to 220, 899m² in 1999. Thereafter, between 2000 and 2005, total rentable office space levelled off. Total vacancy levels remained very low (see Figure 43), with the highest available amount of office space being 8,112m² in 2004. In 2005, however, the amount of vacant space dropped to a respectable 888m².

Figure 44 shows an increase in grade A office space between 1993 and 1999 of 143,500m² and 202,515m² respectively. Thereafter, it levelled off until 2005. Grade B office space maintained similar levels with slight increases in the Pinelands node between 1993 and 2005. The Pinelands node does not have any Premier office space.

Figure 45 shows that market rental rates for office grades, between 1998 and 2005, increased marginally. Grade A office space experienced a dip in rental rates between 2002 and 2003 of R68.33/m² and R58.75/m² respectively, but, started regaining some of these losses between 2003 and 2005. Grade B office space predictably experienced the lowest market rental rates, with only a marginal increase between 1998 and 2005 from R40/m² to R52.25/m² respectively.

Figure 46 shows that grade A office space achieved relatively low vacancy levels with 2004 reaching the highest level of 3.6% of office space vacant. After 2004, however, vacancy levels for grade A office space dropped dramatically to almost zero, at 0.4%. Grade B office space did not do as well

and in 1993, 1999 and 2003 reached very high vacancy levels at 14.7%, 11.6% and 7.28% respectively. It must be said, however, that major decreases in vacancy levels were experienced on either side of these dramatic increases.

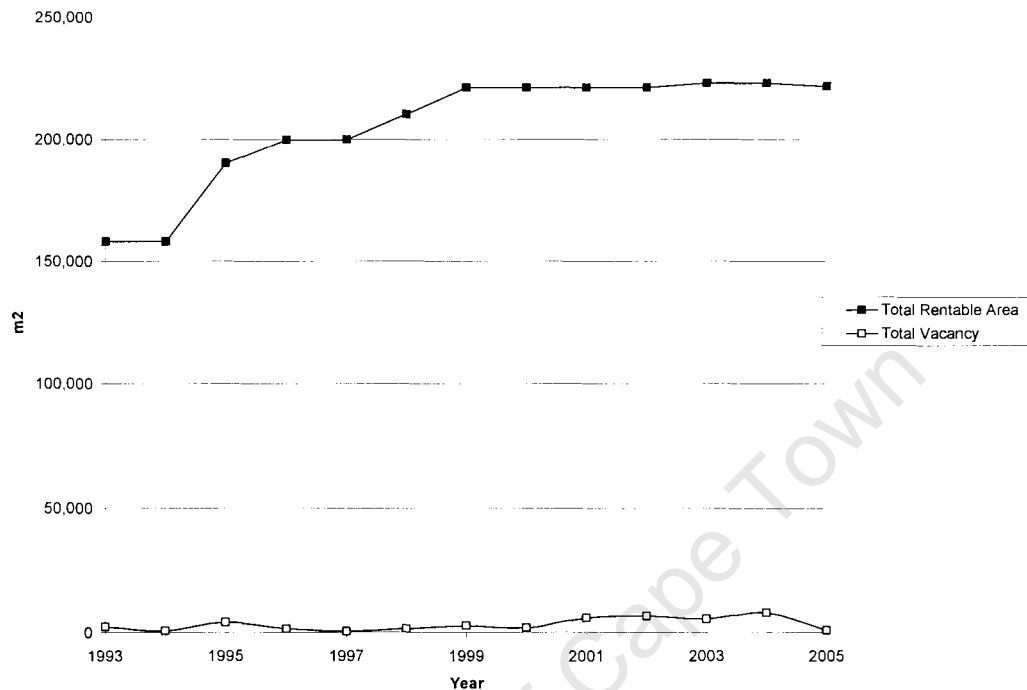


Figure 43: Total rentable office space and total vacancies (m²) for the Pinelands node, 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 – 2005)



Figure 44: Rentable office space for each office grade in the Pinelands node, 1993 – 2005
(Source: SAPOA Office Vacancy Survey, 1993 – 2005)

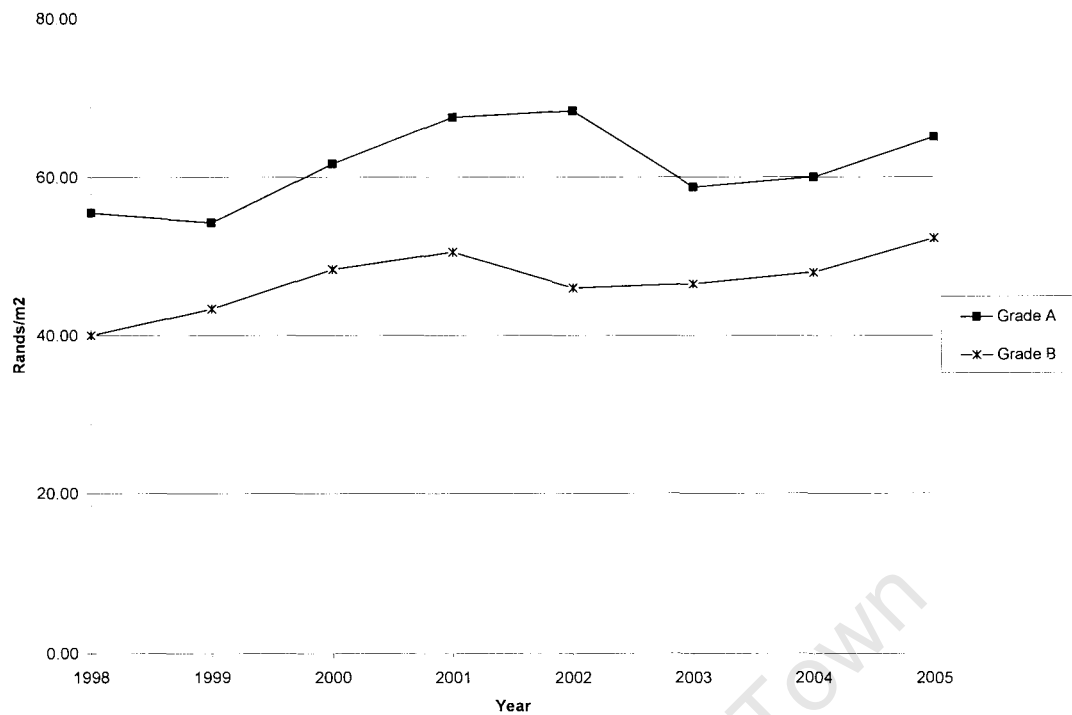


Figure 45: Market rental rates for all office grades for the Pinelands node, 1998 – 2005
(Source: Rode's Report, 1998 - 2005)



Figure 46: Vacancies (%) for all office grades for the Pinelands node, 1993 - 2005
(Source: Rode's Report, 1993 - 2005)

4.6.7 Waterfront

It is debateable whether the Waterfront node can be considered a decentralised node or not as it is located within very close proximity to the Cape Town CBD. However, it is an excellent example of a post-Fordist spatial phenomenon where old, obsolete, decaying and neglected wharves, warehouses and shipping related buildings are transformed into successful, economically-viable and revitalised waterfront areas (Marcuse, 1997). The Waterfront area is expressed by some property analysts as “a peach of a property” (SA Property Review, September/October 2005). It is considered to be a world renowned site and arguably the top tourist attraction in the Western Cape. Some analysts go on to say that it is probably the best piece of real estate in Africa at the moment (ibid.)

Located within walking distance of the Cape Town CBD with the added attraction of views of Table Mountain and the sea, it is easy to see why the Waterfront is considered a trophy property. The total area of the Waterfront consists of 600,000m² of land currently reserved for leisure, retail, office, industrial and shipping entities. It also contains a few unique properties such as the Two Oceans Aquarium, BMW Pavilion, Graduate School of Business, Hirt & Carter and helicopter pads.

The Waterfront node has only recently been considered as an office node and for this reason office data are only available for 2005. According to the *SAPOA Office Vacancy Survey*, the Waterfront had a total of 83,386m² rentable office space with 1,268m² vacant, for that year. The total rentable office space comprised 37,365m², 39,015m² and 7,006m² for Premier, grade A and grade B office space respectively. The Rode's Report, however, does include the market rental rates for this node from 1993 to 2005 (see Figure 47). Only Premier and grade A rental rates are included as grade B office space did not exist for the Waterfront node. The rental rates in Figure 47 show that the Waterfront node experienced the highest rental rates of all the decentralized nodes. This illustrates that office space in this node is in great demand. Bar a slight decrease in 2001 and 2003 for grade A office space,

the general trend has been favourable for both office grades. It is also noticeable that during 2002 grade A office space fetched a higher rental rate than Premier office space. This is possible as demand dictates the cost of office space and clearly demand for grade A office space at the time was particularly high. In 2005, Premier office space demanded rents as high as R110.00/m² in the Waterfront, the highest in the City of Cape Town.

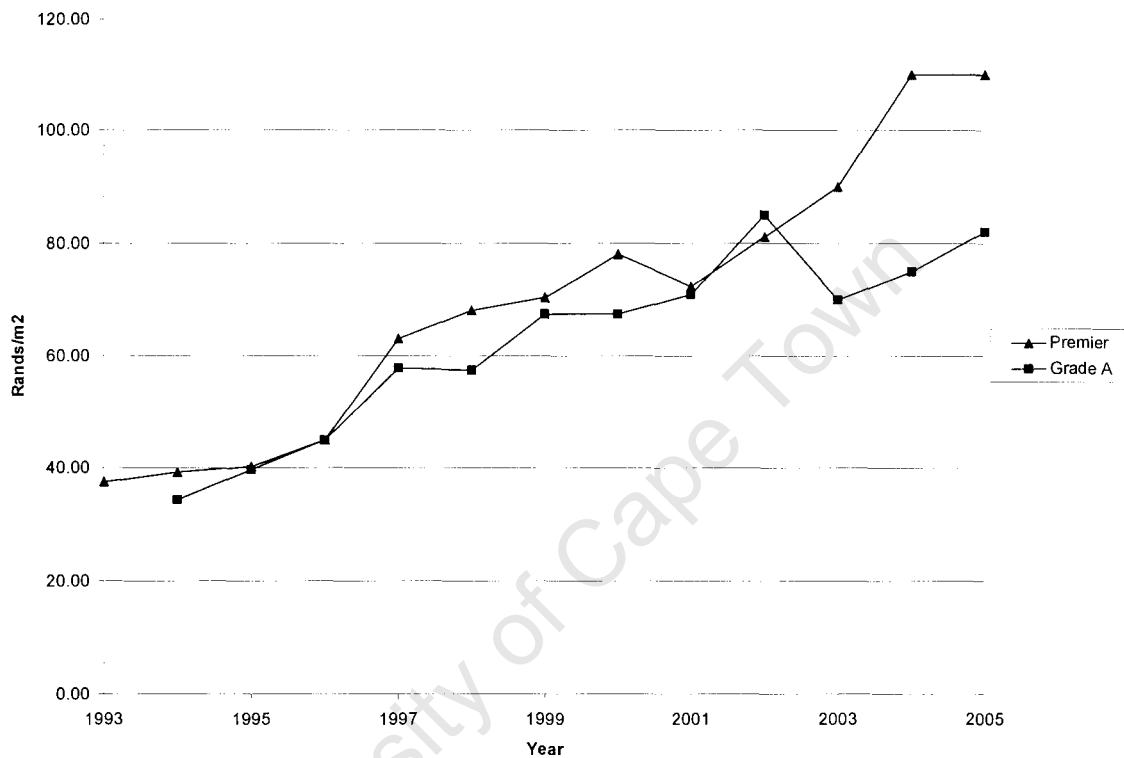


Figure 47: Market rental rates for all office grades for the Waterfront node, 1993 - 2005
(Source: Rode's Report, 1993 - 2005)

Chapter 5

5. Conclusion

This thesis examined the extent to which Cape Town was developing a post-Fordist spatial order characterised by the development of edge cities, the excluded ghetto and transformed waterfronts. The development of these spatial phenomena was influenced by the extent to which the decentralisation of office space was taking place. The decentralisation of office space was measured using the spatial size of office developments to determine office growth, and market rental rates and office vacancy levels were used to determine demand in office space.

The findings were that, although decentralisation had slowed, decentralisation of office space was taking place predominantly to the north of the CBD and, in particular, offices were relocating to the Century City and Bellville (Tyger Valley) office nodes. This is evidenced in the increase in growth and demand of these nodes compared to the other decentralised nodes. Office development within the CBD was also growing but at a much slower rate than that of the decentralised nodes. It is presumed that the growth in the decentralised nodes was due to the decline in the growth of office space in the CBD. Although, the CBD was showing signs of office revival, this was not as a result of increased office developments. Rather, it was due to an increase in residential growth. Of significance is the fact that virtually no office development was recorded in the south-eastern parts of the city.

Although Turok (2001) used different data in his study, specifically that of property and investment data, the results found in this study reinforced his conclusions. Results showed that decentralisation and northern drift were persisting thus indicating that edge city development was taking place. The contribution that this study makes to the debate on how post-Fordist spatial processes impact on the development of spatial phenomena in the city, is that in the case of the City of Cape Town, edge cities and the excluded

ghetto may continue to grow and develop, but this does not mean that the central city is expected to suffer and decline in importance as a result thereof. In the case of the Cape Town CBD, whilst the edge cities or decentralised office nodes were experiencing office growth, the CBD was also experiencing urban renewal and growing in a positive direction. The study also offered an updated and recent view of the spatial developments taking place in the City of Cape Town. It used office data briefly discussed by Turok (2001), expanded on it and in the end provided an in-depth study of decentralisation and the spatial phenomena associated with it.

Therefore, the data has shown that the decline and neglect previously experienced in the Cape Town CBD has been reversed. This is evidenced by the increases in rental rates and decreases in vacancy levels that show that office space in the CBD has been experiencing an upward trend since 2003 due to increased popularity and demand in office space. The data has also shown that both the Cape Town CBD and the decentralised nodes are experiencing renewed and continued popularity. The positive turn around experienced in the CBD has been attributed to increased business confidence which has been credited to the success of the Cape Town Partnership's CCID coupled with the recent political changes in South Africa. Consequently, although decentralization is persisting, it continues to do so at a much slower rate.

As already mentioned, the data showed that development of decentralised office nodes was predominantly taking place in the northern parts of the city and that no office development was taking place in the poorer and neglected south-east. Thus, more office jobs are available in the northern than in the south-eastern parts of the city. To the extent that these office nodes require low-skilled workers, jobs are more difficult to access by the residents of the south-east areas. This means that those areas in the south-east are developing into, and can be conceptualised as, excluded ghettos. The exclusion of these residents from low-skilled jobs in the growing office nodes contributes to the totalisation of the excluded ghetto. Seemingly, this is because residents are forced to seek employment and business

opportunities within their own communities and residential area due to being excluded from the rest of society.

Section 4.6 offered a descriptive account of the individual office nodes and the data showed that all the decentralised nodes (perhaps with exception of the Waterfront office node) had taken on the characteristics of an edge city or a 'totalizing suburb'. This was due to the fact that all the decentralised office nodes competed with the CBD, drawing jobs and business out of the city centre, and despite office renewal in the CBD they were experiencing office growth independent of the city centre. The decentralised nodes also showed signs of 'totalizing' where employment, business, recreational and cultural facilities were available within each node.

The development of shopping malls and transformed waterfronts are typical post-Fordist spatial features, and both are well represented in the City Cape Town. The Waterfront and Century City are good examples of the former, and the Waterfront is a good example of the latter. Both of these office nodes experienced office growth with high rental rates and very low vacancy levels. Major office and residential developments are currently under construction in both of these nodes. The Bellville node (particularly in the Tyger Valley area) is Cape Town's best example of an edge city. Office space in this node is in great demand by owner-occupiers. It is fast becoming a totalizing suburb as all necessary facilities and amenities are found in this area. Increased security, accessibility and parking contribute to the attractiveness of these nodes in the northern suburbs. The Tyger Valley area is also benefiting from decentralization taking place within the Bellville CBD.

Most office investment has taken place to the north of the Cape Town CBD. Since these northern suburbs are traditionally white, high to middle income areas, the areas to the south-east of the CBD and located in the traditionally black, poorer and working class areas continue to be neglected and overlooked by those investing in office development. Thus, the data shows

that social polarization is indeed a trend that is taking place in the City of Cape Town.

University of Cape Town

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